CONTENTS

Matters Affecting Appropriations of All or Most Federal Departments and Agencies 1 1/A6

Departments

Agriculture 27 1/C4
Commerce 60 1/E9
Education 76 1/F11
Energy 84 1/G5
Health and Human Services 128 2/C8
Housing and Urban Development 181 2/G5
Justice 192 3/A3
Labor 207 3/B4
State 224 3/C7
Interior 227 3/C10
Treasury 239 3/D8
Transportation 251 3/E6

Agencies and Other Organizations

Administrative Conference of the United States 276 3/G3
Administrative Office of the United States Courts 277 3/G4
Architect of the Capitol 278 3/G5
Corps of Engineers (Civil Functions) 280 3/G7
District of Columbia Government 281 3/G8
Environmental Protection Agency 287 3/G14
Farm Credit Administration 300 4/A14
Federal Communications Commission 301 4/B1
Federal Emergency Management Agency 302 4/B2
Federal Maritime Commission 304 4/B4
General Services Administration 305 4/B5
Government Printing Office 316 4/C2
Interstate Commerce Commission 317 4/C5
Legal Services Corporation 322 4/C8
Library of Congress 323 4/C9
National Aeronautics and Space Administration 324 4/C10
National Transportation Safety Board 326 4/C12
Office of Management and Budget 327 4/C13
Office of Personnel Management 334 4/D6
Securities and Exchange Commission 351 4/E9
Small Business Administration 353 4/E11
Tennessee Valley Authority 361 4/F5
Veterans Administration 362 4/F6

Matters Affecting Selected Departments and Agencies 369 4/F13

Index to Departments, Agencies, and Other Organizations 449 5/E10

GA/B:NSS 81 04

Report to the House
and Senate Committees
on Appropriations by the
Comptroller General of
the United States

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SUMMARIES OF CONCLUSIONS AND RECOMMENDATIONS ON THE OPERATIONS OF CIVIL DEPARTMENTS AND AGENCIES

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This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Operations of Civil Departments and Agencies on which satisfactory legislative or administrative actions have not been taken. These summaries are compiled to assist congressional committees in their review of budget requests for fiscal year 1982. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

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Chairman
Committee on Appropriations
United States Senate

Chairman
Committee on Appropriations
House of Representatives

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in the Federal civil departments and agencies on which satisfactory legislative or administrative actions have not been taken. We believe the summaries will be of interest to your Committees in their review of budget requests for fiscal year 1982. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriations hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Department of Defense (OISS-81-3) is being submitted separately.

We are sending copies of this report to the Federal civil departments and agencies, so they may be in a position to answer any inquiries made on these issues during the appropriations hearings.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

CONTENTS

Matters Affecting Appropriations of All or Most Federal Departments and Agencies 1

Departments

- Agriculture 27
- Commerce 60
- Education 76
- Energy 84
- Health and Human Services 128
- Housing and Urban Development 181
- Justice 192
- Labor 207
- State 224
- Interior 227
- Treasury 239
- Transportation 251

Agencies and Other Organizations

- Administrative Conference of the United States 276
- Administrative Office of the United States Courts 277
- Architect of the Capitol 278
- Corps of Engineers (Civil Functions) 280
- District of Columbia Government 281
- Environmental Protection Agency 287
- Farm Credit Administration 300
- Federal Communications Commission 301
- Federal Emergency Management Agency 302
- Federal Maritime Commission 304
- General Services Administration 305
- Government Printing Office 316
- Interstate Commerce Commission 317
- Legal Services Corporation 322
- Library of Congress 323
- National Aeronautics and Space Administration 324
- National Transportation Safety Board 326
- Office of Management and Budget 327
- Office of Personnel Management 334
- Securities and Exchange Commission 351
- Small Business Administration 353
- Tennessee Valley Authority 361
- Veterans Administration 362

Matters Affecting Selected Departments and Agencies 369

Index to Departments, Agencies, and Other Organizations 449

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Administrative Law Process: Better Management Is Needed

(FPCD-78-25, 5-15-78)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: (P.L. 95-251; 92 Stat. 183). (P.L. 95-164; 91 Stat. 1290; 91 Stat. 1314). Administrative Procedure Act of 1946 (5 U.S.C. 3105). Regulatory Procedures Reform Act; S. 2490 (95th Cong.). Social Security Act. Classification Act of 1923. Executive Order 11222. Executive Order 10393. H.R. 14688 (91st Cong.).

More than 1,000 Administrative Law Judges (ALJ's) serve in 28 Federal agencies as quasi-judicial officers presiding at formal administrative hearings to resolve disputes. The Federal executive departments and agencies employ more than twice as many ALJ's as there are active judges in Federal trial courts, collectively process a larger case load, and affect the rights of more citizens than the U.S. courts. The Administrative Procedure Act sought to insure the ALJ's judicial capability and objectivity by precluding agencies from evaluating their performance and by assigning responsibility for determining their qualifications, compensation, and tenure to the Office of Personnel Management.

Findings/Conclusions: Although the judicative process was established to resolve conflicts promptly and fairly, timely decisions are not being made because the process is burdened with extensive agency review of ALJ's decisions and, in many instances, overformalization. These factors also increased costs and raised questions concerning the impartiality of agency decisions and the need for a highly formalized mechanism to resolve relatively simple disputes. The Administrative Procedure Act is not specific regarding responsibility for ALJ's personnel management functions; as a result, little is done to monitor ALJ's performance. Agencies are reluctant to attempt to manage ALJ's for fear it will be interpreted as an infringement on ALJ's independence. Similarly, the Office of Personnel Management has been reluctant to become actively involved in ALJ's personnel management. The results have been costly delays in the administrative judicatory process and less than desirable performance by an undetermined number of ALJ's.

Recommendations: Congress should amend the Administrative Procedure Act to: assign responsibility for periodic evaluation of ALJ's performance to a specific organization; clarify the extent to which the Office of Personnel Management can perform its normal personnel management functions in the case of ALJ's; and establish an initial probationary period of up to 3 years and thereby eliminate immediate, virtually guaranteed, appointment and tenure. Congress should also: establish criteria for deciding what degree of formality is required to provide fair decisions and amend legislation to clarify the agencies' power to adopt streamlined adjudication procedures; amend other legislation as necessary to provide for standards of review; and see that each agency employing ALJ's has taken steps to establish performance standards before additional ALJ's are given to agencies. The Office of Personnel Management should encourage and assist the Administrative Conference in efforts to develop an ALJ's caseload accounting system; reexamine the need for selective certification at agencies where it is used; and evaluate future requests for its use on a case-by-case basis.

Agency Comments/Action

Little substantive action has been taken on the report's recommendations by the agencies employing Administrative Law Judges, as shown in the follow-on report "Management Improvements in the Administrative Law Process: Much Remains To Be Done," (FPCD-79-44, 5-23-79).

Appropriations

Various appropriations of those agencies which employ Administrative Law Judges

Appropriations Committee Issues

Evaluation of and standards for Administrative Law Judges' performance, as well as simplified agency administrative adjudication procedures, are needed to ensure efficient and cost effective dispute settlement. Agencies which employ ALJ's should take steps to establish Administrative Law Judge performance standards before assigning additional ALJ's.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Budget Formulation: Many Approaches Work but Some Improvements Are Needed

(PAD-80-31, 2-29-80)

Budget Function: Impoundment Control Act of 1974 (1005)

GAO conducted a series of case studies of the budget formulation process in 10 Federal programs in the Departments of Defense, the Interior, and Health, Education, and Welfare.

Findings/Conclusions: The case studies revealed a variety of budget formulation styles. In some cases, budget requests were developed through "bottom-up" methods that involved field offices and no prior guidance or fixed request amounts from higher levels. In other cases, budgets were developed through "top-down" methods in which the request amount was set in advance at top levels and which entailed little or no field office work. Often, the approach followed related to the type of program, and no one approach appeared the best for all programs. Formulation weaknesses and potential problems requiring action were identified in the planning process, zero-base budgeting (ZBB) procedures, and in agencies' methods of reporting to the Congress.

Recommendations: The Secretary of the Interior should direct Bureau of Land Management (BLM) officials to consult with cognizant congressional committees as they develop a comprehensive multiyear plan for use in budget formulation. Such efforts should be devoted to developing a single set of principal categories for authorization and appropriations control. The Office of Management and Budget (OMB) and the executive agencies should achieve agreement during the spring on what programs and activities will receive comprehensive ZBB treatment during the upcoming budget cycle. In meetings with agencies, OMB should monitor and review agency plans for ZBB efforts and provide guidance as to the programs and activities on which agencies should perform full analyses of minimum levels, and the programs and activities that should be pulled from ZBB ranking "core" treatment and subjected to detailed analyses. The Director of OMB should also (1) consider establishing with individual agencies rotating schedules for full ZBB analyses of selected programs and activities; (2) include in the budget, in a single table and discussion, a comprehensive reporting by agency and account of the budget authority and outlay increases and decreases (with subtotals for each) associated with executive-proposed legislation; (3) include in the Budget Appendix and related justifications provided to the appropriations committees a Medicare summary table that would fully disclose the key funding and legislative proposals; and (4) revise budget request procedures for the BLM emergency fire program to provide for initial appropriation requests that fully reflect the total estimated yearly funding requirements of the program. The Congress should (1) direct the Secretary of the Interior to consult with the Department of Agriculture in the development of an overall "Federal" program land acquisition plan for executive branch and congressional budget use that identifies priorities on the geographic areas and kinds of land to be acquired, and (2) appropriate initial funding each year for the BLM emergency fire program that covers the total estimated funding requirement of the program for the year.

Agency Comments/Action

Interior officials stated that they will consult with congressional committees on any changes in the authorizing and budget categories used for BLM programs. OMB officials did not agree with the recommendations concerning ZBB modifications, and did not agree that the budget documents need revised information on executive-proposed legislation or Medicare activities. However, OMB officials agree that the BLM emergency fire program should be fully funded on an annual basis.

Appropriations

Elementary and secondary education - Department of Education

Payments to health care trust funds, hospital insurance trust fund, Federal Supplementary Medical Insurance Trust Fund - Department of Health and Human Services, Health Care Financing Administration

Management of lands and resources - Department of the Interior, Bureau of Land Management

Land and water conservation fund - Department of the Interior, Heritage Conservation and Recreation Service

Operation and maintenance Department of Defense

Appropriations Committee Issues

There is still a need for OMB and the agencies to streamline ZBB procedures (with appropriate OMB monitoring), and for OMB to present improved information in the budget on executive-proposed legislation and Medicare activities. Congress has been unwilling to put the BLM emergency fire program on a full funding basis.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Changes Needed in the Relocation Act To Achieve More Uniform Treatment of Persons Displaced by Federal Programs

(GGD-78-6, 3-8-78)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. 4601). OMB Circular A-103. Demonstration Cities and Metropolitan Development Act of 1966. Housing and Community Development Act of 1974. Housing Act of 1949.

The Relocation Act is intended to provide for uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal and federally-assisted programs.

Findings/Conclusions: Some displaced persons are receiving little or no relocation assistance because the coverage provided by the Act is limited. When Federal financial assistance is provided to organizations other than State agencies, few relocation benefits are provided because of the belief that the Act does not apply under these conditions. Businesses may suffer because the benefits are not provided to pay for increased costs at a replacement site. The Housing and Community Development Act of 1974 decreased coverage under the Relocation Act because of agency and court interpretations that the benefits are not required to be paid to displaced persons when there is no acquisition of property. Although the Act calls for coordination among agencies, each issues its own regulations with the result that benefits have differed under comparable conditions. The Relocation Assistance Implementation Committee has been unable to bring about the uniformity prescribed by the Act because it lacks authority to rule on differences in agencies' policies.

Recommendations: The Congress should: consider whether the Act should cover all displacements caused by Federal or federally-assisted acquisition and nonacquisition projects; consider providing additional benefits to displaced businesses; and amend the Act to require the President to issue a single set of relocation regulations and to designate a central organization to direct and oversee uniform procedures throughout the Government.

Agency Comments/Action

OMB stated in June 1978 that the recommendations contained in the report were under active consideration. Also, OMB will resolve the conflicting views concerning the most appropriate agency to have responsibility for administering the Act. Senate Bill 1108 will correct most of the problems documented in the report. Hearings were held on this bill in September, 1979. OMB advised in October 1979 that it still has the recommendation under active consideration but has not been able to resolve the conflicting views on which agency should administer the Act.

Appropriations

All Federal agencies

Appropriations Committee Issues

The coverage of the Uniform Relocation Act should be reconsidered, as should the benefits provided to relocated businesses. One set of relocation regulations should be issued and one central organization should be designated to oversee the Act.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Continuing and Widespread Weaknesses in Internal Controls Result in Losses Through Fraud, Waste, and Abuse

(FGMSD-80-65, 8-28-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Accounting and Auditing Act (31 U.S.C. 66a). Claims Collection Act. Anti-Deficiency Act (31 U.S.C. 665). S. 3026 (96th Cong.).

Most Federal agencies are operating accounting systems that are vulnerable to physical losses and waste of Federal money as well as fraudulent and otherwise improper uses. These conditions, noted in a series of GAO reports issued between December 1976 and October 1979 covering financial operations in 11 major Federal organizations, are summarized.

Findings/Conclusions: System vulnerability results from a series of longstanding, undetected weaknesses. While agencies usually correct specified deficiencies, they are generally slow to correct systemwide deficiencies in collection, disbursement, obligation, and imprest fund activities. Inadequate controls over collection could not ensure that amounts owed the Government were recorded as accounts receivable or that overdue accounts were identified and collected. Often, accounts receivable were so poorly controlled and safeguarded that the potential for theft, loss, or other misuse was high. Controls over disbursement activities were found to be deficient. Disregard for basic control procedures prescribed in manuals resulted in waste and overpayments. About half of the offices reviewed had serious weaknesses in controls over obligations that could result in improper or illegal payments. The most widespread deficiencies were noted in imprest fund activities. Weak controls, together with the susceptibility of imprest funds to misuse, allowed substantial losses to the Government. It was concluded that adequate internal audit coverage could have detected most of the deficiencies found. Legislation under consideration would place greater responsibilities on the heads of Federal agencies for improving their agencies' financial systems. Under this legislation, agencies would be required to undertake evaluations of their organizations' systems of internal control and report annually to Congress and to the President the results of such evaluations.

Recommendations: Congress should enact the legislation to place greater responsibility upon the heads of Federal agencies for the soundness of their organizations' systems of internal financial control.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should question agencies to determine whether their systems of internal financial and accounting controls provide adequate assurance for certifying expenditures. The questioning should develop information on the adequacy of resources agencies devote to the development and maintenance of their financial control systems and to correct weaknesses which would permit fraudlent or other improper uses of funds.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Contracting for Computer Software Development--Serious Problems Require Management Attention To Avoid Wasting Additional Millions

(FGMSD-80-4, 11-9-79)

Budget Function: Automatic Data Processing (1001)

Contracting for computer software can be an effective alternative to software development by Federal employees. However, a review of several software development contracts found that many experienced large cost overruns and lengthy delays. Certain problems were found to be common to all software contracts that had trouble.

Findings/Conclusions: Federal agencies contracted for software with little specific guidance. They often overestimated the stage of systems development they had reached before contracting. This overestimation often led to the issuing of inappropriate contracts using inadequate criteria for contractor performance. Agencies overcommitted themselves and failed to control contractors through strict phasing. Management failures while the work was being done included excessive changes, failures to inspect intermediate stages of work, and failure to require progress reports from the contractor. Contractual testing requirements were often inadequate or absent. Lack of a single identified contractor source for answers and interpretation of the requirements led to communications problems. The agencies were not enforcing recovery clauses.

Recommendations: The Secretary of Commerce, through the National Bureau of Standards (NBS), and the Administrator of the General Services Administration should issue specific quidelines to assist Federal agencies in recognizing and dealing with the unique factors added to custom software development when it is done by contract. The following areas should be covered: (1) internal agency management practices necessary to write, manage, and monitor software development contracts; (2) specific instructions on how to tailor software development contracts to the state of system development that an agency is in at the time it lets a contract; (3) guidance on contract stipulations regarding the phasing of the software development; (4) guidance on performance specifications to be included in the contract to clarify quality requirements for the software; (5) the importance of requiring the software contractor to have a formal quality assurance program that is documented and subject to audit; (6) the degree of definition required to properly define such things as documentation standards, adherence to programming language standards, acceptance testing procedures, and satisfactory performance by the contractor; (7) how to handle changes in the software being developed with minimal disruption; (8) how to ensure that the contractor follows sound system development practices; and (9) the effective use of contract clauses which would deny payment in case of poor performance by the contractor. Federal agencies involved in software development contracting should train project managers in overall skills necessary to manage those contracts such as software, contracting, and management. They should also take appropriate action in each phase of software development contracting.

Agency Comments/Action

The General Services Administration (GSA) has said it will publish guidance on software development contracting in or about October 1980, as recommended. As of July 1980, work was in progress. NBS is working with GSA on the guidance, as recommended.

Appropriations

Department of Commerce, National Bureau of Standards
General Services Administration

Appropriations Committee Issues

The Committees should monitor GSA implementation of the recommendations.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Controls Over Consulting Service Contracts at Federal Agencies Need Tightening

(PSAD-80-35, 3-20-80)

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: OMB Bull. 78-11.

Federal agencies spend between $1 billion and $2 billion annually on consulting services contracts to obtain a variety of goods and services. Proper use of consulting services is a normal, legitimate, and economical way to improve Government services and operations, and agencies must continue to have the option to use consulting services where appropriate. Responding to Presidential and congressional concern, the Office of Management and Budget (OMB) issued a bulletin to all executive agencies to better control and report the use of consulting services. In spite of this new guidance, a GAO review of 111 contracts, valued at $19.9 million, in six agencies, revealed that little substantive improvement has been made.

Findings/Conclusions: The need for many consulting service contracts was questionable because little or no consideration was given to in-house capability prior to the award of the contracts, proposals were frequently unsolicited, a number of contracts were awarded during the last quarter of the fiscal year which cast doubt on agency priorities and mission, and frequently, little use was made of the results of the study products. Extensive use of sole-source awards precluded effective price competition. Several of these awards were made to former agency employees. A significant number of contract modifications resulted in increased costs and delays in delivery of the end product. Inaccurate reporting of consulting service contracts was caused, in part, by confusion over the OMB definition for such contracts. Agencies often attributed their need for the services to various legislative mandates.

Recommendations: The Director of OMB should instruct Federal agencies to establish more rigorous procedures for approving consulting services contracts. Such procedures are necessary to assure the proper use of consulting services. One approach might be to establish an independent board within each agency or expand the functions of sole-source boards. The purpose of these boards would be to: assure that in-house capability is adequately considered and assessed prior to the award of contracts; assure that the service is needed in terms of agency mission and established priorities; assure that previous similar efforts have been adequately considered prior to award; evaluate the necessity of using previous employees in performance of the contract tasks; and determine the reasonableness of using cost-plus-fixed-fee contracts in view of the nature of the proposed work. The Director of OMB should work with Congress to achieve a better and more uniform understanding of the current definition of consulting services in terms of coverage and clarity as well as congressional needs, and intensify oversight on agencies' use of consulting services, including assuring that all agencies are moving as rapidly as possible to report those services to the Federal Procurement Data Center.

Agency Comments/Action

OMB, in responding to the report, testified that it planned to reduce by 15 percent the amount of funds included in the 1981 budget for consulting services. OMB is currently working with the executive agencies to achieve the reduction.

Appropriations

Consulting services - All Federal agencies

Appropriations Committee Issues

The Appropriations Committees should, given the confusion over the definition of consulting services, examine closely the soon to be received OMB proposed 1981 budget reduction to insure it is not understated.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Conversion: A Costly, Disruptive Process That Must Be Considered When Buying Computers

(FGMSD-80-35, 6-3-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.M.R. 101-35.2. F.P.R. 1-4.11.

The objectives of Federal procurement policy are to obtain the best prices for goods and services and give all responsible vendors an opportunity to compete. The policy requires competitive acquisition to the extent practicable. However, competitive procurement of computers has been complicated by the lack of clear and concise procurement policy on the treatment of conversion costs in evaluating vendor proposals and difficulties in estimating these costs. When replacing a computer system, an agency must choose between: (1) buying a compatible computer from the same manufacturer, thereby denying other manufacturers an opportunity to compete; or (2) holding a competitive procurement and possibly facing substantial effort, high costs, and operational disruption to convert its application software and change over to the new equipment. In addition to software conversion costs, an agency can spend substantial amounts to retrain its personnel, operate both the old and new computers during the conversion, and modify the computer facility to house both the old and new computers during this period. However, GAO examined six competitive computer procurements involving conversions and concluded that even though conversion costs are frequently substantial, changing to a different brand can be less costly on a life cycle basis.

Findings/Conclusions: GAO adjusted the costs used in selecting the winning vendors by including appropriate conversion costs and correcting for significant underestimates. Conversion costs considered in the six competitive procurements varied significantly from case to case, and each installation had underestimated the cost and time necessary to convert its application software to the replacement system. A primary cause of poor conversion cost estimating is that adequate data have not been collected on the experiences of installations that have converted. The problems found by GAO pointed out the need for guidance to agencies as to what conversion costs should be considered in evaluating proposals and for better conversion cost estimating techniques. The General Services Administration (GSA) has drafted regulations calling for consistent treatment of conversion costs and announced the establishment of a support center which will provide technical assistance to help agencies make better estimates and improve conversion management. In the cases reviewed, the lack of adequate planning contributed to the disruption and higher costs. An agency must carefully develop a conversion strategy and plan before initiating its procurement action. Finally, conversion costs and disruption can be reduced by placing greater emphasis on developing better quality application software in the first place.

Recommendations: To improve the acquisition and management of data processing resources, the Administrator of GSA should: (1) issue, for agency guidance, the provisions contained in the draft regulations covering treatment of conversion costs in evaluating competing vendor proposals; (2) develop technical guidelines to help Federal agencies determine conversion requirements, plan for and manage conversion, contract for conversion support services, and evaluate life cycle costs of vendor proposals; and (3) consider adapting for Government-wide use the Navy's project management and control system for estimating software conversion costs and managing conversions.

Agency Comments/Action

GSA concurs with the conclusions and recommendations contained in the report. GSA has: (1) issued, for Federal agency comment, draft regulations which give specific guidance for the treatment of conversion costs; (2) developed a checklist to assist Federal agencies in analyzing the costs of computer conversion; and (3) signed an interagency agreement with the Navy to allow the conversion support center to evaluate the Navy's project management and control system for use in managing conversion projects and estimating conversion costs. GSA plans to develop a handbook to: (1) determine conversion requirements; (2) plan for and manage conversion; (3) contract for conversion support services, and (4) evaluate life cycle costs of vendor proposals.

Appropriations

Various appropriations that include funds for automatic data processing equipment

Appropriations Committee Issues

The Committees should ascertain whether conversion has been properly considered when agencies request funds to acquire replacement computer systems.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Development of a National Make-or-Buy Strategy: Progress and Problems

(PSAD-78-118, 9-25-78)

Department of Defense

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Department of Defense Appropriation Authorization Act [of] 1978 (P.L. 95-79). Department of Defense Appropriation Act, 1978 (P.L. 95-111). Monroney Amendment (P.L. 90-560; 5 U.S.C. 5341). Service Contract Act of 1965 (P.L. 89-286; 79 Stat. 1034). Economy Act. Intergovernmental Cooperation Act. Department of Defense Appropriation Act, 1956. Department of Defense Appropriation Authorization Act, 1975. P.L. 93-400. P.L.83-108. P.L. 95-269. P.L. 93-365. P.L. 84-157. 25 Stat. 423. 40 Stat. 1290. 10 U.S.C. 4532. 10 U.S.C. 9532. 31 U.S.C. 686. 42 U.S.C. 4222. 44 U.S.C. 501. 10 U.S.C. 138(c). 33 U.S.C. 622. 33 U.S.C. 624. 15 U.S.C. 631(a). 5 U.S.C. 2105(a). Executive Order 11491. OMB Circular A-76.

There has been much controversy regarding the question of whether the Government should provide its own needed goods and services or contract for them with private enterprise. The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) provides overall procurement policy direction for executive agencies. OMB Circular A-76 states that no executive agency will engage in or contract for commercial or industrial activities except in accordance with the provisions of the Circular, or as otherwise provided by law. Since 1976, there has been increased emphasis on contracting.

Findings/Conclusions: The stated policy has not been perceived as a national policy with full executive and legislative branch approval and support. Policy pronouncements and applications have been controversial, implementation has been inconsistent and relatively ineffective; and make-or-buy decisions have not necessarily been based on sound management principles. Management of the A-76 program needs acceptable management control systems, clarification of basic policy and regulations, clear identification of types of activities subject to the policy, consistent execution of the policy, and development of review and appraisal systems. Implementation has been hampered by confusion, lack of understanding, reluctance to carry out the program (which was not integrated with agencies' main decision-making processes) and budgetary and accounting systems which did not always support the program. Agencies seldom prepared cost comparisons because of such difficulties as when and how to prepare them, and determining Government's and contractors' costs and comparability of pay rates. Agency make-or-buy decisions were significantly influenced by such factors as personnel ceilings, contract issues, labor-management policies, other procurement policies, personnel assignment policies, legislation, and Federal printing policy.

Recommendations: Congress should: (1) endorse a national policy of reliance on private enterprise for the Government's needs to the maximum extent feasible and consistent with the national interest and procurement at reasonable prices; (2) require executive agencies to report on their progress in supporting that policy; and (3) direct reviews of existing related legislation to identify and eliminate sources of conflicts and inequities.

Agency Comments/Action

Agency comments were sent to the appropriate congressional committees concerning additional report recommendations made to OMB and OFPP for more effective implementation of the A-76 program. In general, OMB stated that the recommendations had already been initiated or would be initiated with a pending revision of Circular A-76. A new Circular A-76 was issued on March 29, 1979. The sense of the Congress about legislating a national policy has not crystalized.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine whether agency requests indicate that appropriate management attention is being given to the A-76 program because of its potential for more economical and effective government.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Agencies Should Be Given General Multiyear Contracting Authority for Supplies and Services

(PSAD-78-54, 1-10-78)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Federal Property and Administrative Services Act (40 U.S.C. 481). Adequacy of Appropriations Act (41 U.S.C. 11). Anti Deficiency Act (31 U.S.C. 665). (P.L. 90-378. 10 U.S.C. 2306(g)). Small Business Act. 15 U.S.C. 631(a). 10 U.S.C. 712a. 20 Comp. Gen. 437. 33 Comp. Gen. 57. 33 Comp. Gen. 90. 42 Comp. Gen. 272. 43 Comp. Gen. 657. S. 2309 (94th Cong.). S. 3005 (94th Cong.). S. 1264 (95th Cong.). S. 1491 (95th Cong.).

Federal agencies operating under annual appropriations generally are prohibited from entering into contracts for needs occurring beyond the year for which the appropriation is made. Multiyear contracts entitle the Government to purchase services or supplies from contractors for more than 1 year. The Commission on Government Procurement has recommended that Congress enact legislation to permit multiyear contracting of supplies and services using annual or multiple-year appropriations.

Findings/Conclusions: Federal agencies with either funding or statutory authority for multiyear procurement benefit from reduced contract prices and other advantages. Annual savings of $3 million resulting from multiyear procurement were identified on 26 contracts having an annual cost of $14 million. The benefits of multiyear procurement include: contract prices may be reduced for agency service and supply needs. Federal agencies' administrative costs can be reduced, the quality of performance and service could increase, and competition could increase for the initial award of a Government contract. Generally, the advantages of multiyear procurement outweigh the disadvantages.

Recommendations: Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office of Federal Procurement Policy to: develop appropriate criteria for use of the procurement method, require responsible agency officials to determine when the criteria are met, and provide for the payment of cancellation costs.

Agency Comments/Action

The agencies commented that the advantages of multiyear procurement outweigh the disadvantages and that it would be an advantageous procurement method. They concurred in the recommendations regarding the need for multiyear contracting authority and the development of criteria for its use. No significant events have happened since the report was issued.

Appropriations

Procurement - All Federal agencies

Appropriations Committee Issues

GAO believes Congress should enact legislation authorizing general multiyear contracting authority for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria to guide the agencies in its use.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Budget Outlay Estimates: A Growing Problem
(PAD-79-20, 2-9-79)

Budget Function: Impoundment Control Act of 1974 (1005)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974.

Federal budget outlay estimates generally swing between longfalls, or underestimates in the budget year, and shortfalls, or overestimates in the current year. The budget year estimates reflect the administration's concern about the growing deficit and the need to hold down spending. The shift to a shortfall, or overestimate in the current year's estimates (12 months later), reflects the administration's assessment of actual financial needs to carry out legislation enacted by Congress. The estimating process is flexible and changing and can be influenced by a number of variables. Many of these variables are uncontrollable, such as historic upward bias (the past tendency to overestimate). Budget data must be accurate to be useful and controllable factors should be of concern to improve outlay estimates.

Findings/Conclusions: As a result of increased interest in outlay estimates, both the Office of Management and Budget (OMB) and the Congressional Budget Office are striving to achieve more accurate estimates. GAO found that $76.4 billion in outlays was not included in fiscal year 1977 Government-wide net outlays of $402.8 billion. These outlays included both offsets from collections and receipts from business transactions with the public and outlays of off-budget Federal entities. Estimates of offsetting collections and offsetting receipts have not been reliable. The current method of presenting these transactions as offsets against budget authority and outlays distorts budget numbers and makes the budget unnecessarily complex.

Recommendations: The Director of OMB should make further efforts to improve outlay estimates by: establishing criteria for acceptable levels of accuracy for estimates, to be used as a guide in defining significant variances to be pursued; comparing actual outlays to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances; identifying corrective action to improve estimates in future years when such action is feasible; making information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate; applying early efforts in goal setting and variance analysis toward accounts with the largest outlays; and requiring each agency to document the procedures used to develop outlay estimates, including documenting assumptions and subjective modifications made by reviewing officials. The Director should also: change the presentation of offsetting collections from non-Federal sources and offsetting receipts from the public by including them in revenue totals and by not subtracting them from budget authority and outlays; include offsetting collections and offsetting receipts from off-budget agencies under revenues and not subtract them from budget authority and outlays; and apply the recommendations set forth to improve outlay estimates to estimates of offsetting collections and offsetting receipts.

Agency Comments/Action

The Office of Management and Budget response to this report agreed that problems on outlay estimating have existed and stated that OMB will continue to work toward the further improvement of outlay estimates. However, OMB was very negative in its response to the report and stated that it "makes recommendations that, if adopted, would do nothing to improve our ability to estimate outlays." In contrast OMB stated in the enclosure to its letter that it is already taking the recommended action in some form or to some extent in responding to five of the nine recommendations. Two of our recommendations related to changing the presentation of offsetting collections and offsetting receipts from the public and to the treatment of off-budget agencies. OMB has resisted these recommendations directed toward elimination of undesirable distortions and complexity in the budget presentation for some time.

Appropriations

Federal budget outlay estimates - Government-wide

Appropriations Committee Issues

The continuing need to improve the accuracy of outlay estimates and to provide a more complete and accurate reporting of Federal budgetary information.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Federal Government Should but Doesn't Know the Cost of Administering Its Assistance Programs

(GGD-77-87, 2-14-78)

Budget Function: General Government: Executive Direction and Management (0802)

Federal programs of assistance to State and local governments have grown in number during the past two decades, and costs have increased from an estimated $6.7 billion in fiscal year 1959 to an estimated $70 billion in 1977. Because of the growth and complexity of Federal assistance, legislative and executive officials have expressed a need for a better understanding of the program administration.

Findings/Conclusions: The Federal Government lacks a systematic method of determining what it costs to administer its numerous domestic assistance programs. Attempts to analyze and compare the efficiency of the various administrative methods used have had limited success, largely because of the lack of systems for reporting information on financial and staff resources used in administering individual programs. The percentage of available funds spent for administration under 72 programs studied ranged from 0.3 to 28.5 percent. Use of dollar and staff resources varied considerably for programs of similar size, distribution method, administrative network, service provided, and even within the same program from State to State. These variances reflect differences in methods and efficiency of program administration and demonstrate the need for systematic information collection and analysis. This information could be used to identify programs in which the following administrative improvements could be made: consolidation of small, inefficient programs; reduction of the number of levels involved in administering some programs; elimination of inefficient practices; and application of proven practices to new and existing programs.

Recommendations: The Director, Office of Management and Budget (OMB), in cooperation with Federal, State, and local agencies administering assistance programs, should take the leadership role in an effort to implement a Government-wide approach for accumulating, analyzing, and disseminating data on the financial and staff resources used in administering Federal assistance programs.

Agency Comments/Action

OMB agreed with the conclusion that better data are needed on the costs of administering Federal domestic assistance programs. GAO agreed to work with OMB through the Joint Financial Management Improvement Program (JFMIP). A JFMIP official advised that plans to do a pilot test have been approved but a starting date has not been selected. At the request of the Chairman, Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations, a limited follow-up study was done on the Federal Government's efforts to determine the costs for administering its numerous domestic assistance programs. Federal agencies generally are not gathering information on financial and staff resources used in administering domestic assistance programs. As a result, the cost of various delivery methods is not known, and their efficiency is difficult to determine.

Appropriations

Various agencies

Appropriations Committee Issues

Information on the costs of administering Federal programs is needed to determine the efficiency of their administration and to find less costly ways to provide assistance. Administrative cost information would also strengthen "sunset" reviews by Congress.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

First Look at Senior Executive Service Performance Awards
(FPCD-80-74, 8-15-80)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Civil Service Reform Act of 1978 (P.L. 95-454). Supplemental Appropriations Act, 1980. P.L. 94-82.

The Senior Executive Service (SES) went into effect on July 13 1979, with a system of performance awards intended to encourage excellence in performance and higher productivity among Federal executives. The first bonuses under this system were paid in May and April of 1980 by the Small Business Administration (SBA), the National Aeronautics and Space Administration (NASA), and the Merit Systems Protection Board (MSPB). Concerned about the number and amounts paid by the first two agencies and about potential abuse of the system, Congress passed legislation to limit payment of SES awards to no more than 25 percent of the number of SES positions in any agency through the appropriations process. Awards made by the National Capital Planning Commission were withdrawn at the request of the Office of Personnel Management (OPM) in order to comply with this congressional action. Congress directed GAO, in cooperation with OPM, to study the SES award payments to identify potential abuses of the system.

Findings/Conclusions: The GAO study found that all four agencies conducted the processes and related awards within the parameters of the Reform Act and OPM guidance in effect when the awards were made. However, there were a few initial policies and procedures in each agency that need improvement. GAO believes that these matters are agency specific and that they should not be generalized or reflect negatively on the credibility of the system. The NASA performance award decisions lack the appearance of objectivity due to the composition of its Performance Review Board (PRB) and Senior Executive Committee. The SBA performance award policy is inconsistent with that of other agencies regarding its payment schedule. The MSPB establishment of performance criteria is questionable because it is scheduled near the end of the performance rating period. Several interrelated issues affecting the viability of the SES awards system are: (1) whether it will be more difficult to equitably administer SES awards with the existing pay compression; (2) whether restrictions on SES bonuses will diminish executive incentive; (3) whether bonuses should be paid to a small percentage or a large percentage of career SES members; and (4) whether additional criteria beyond the rating instrument should be used to determine which executives should receive the allowable bonuses. GAO feels that OPM will need to undertake a strong monitoring and compliance effort to insure the credibility of agency bonus programs.

Recommendations: The Director, OPM, in order to add credibility and additional objectivity to bonus decisions, should: (1) direct Federal agencies to include lower level SES executives, as well as impartial outside members, to participate in PRB decisions and also include outside members as participants on special PRB's (such as the NASA Senior Executive Committee), and (2) work with SBA to determine an equitable plan for paying bonuses for the remaining fiscal year 1980 performance. OPM should take a strong role in monitoring agency bonus programs and review agency bonus award plans and policies prior to awards for the first few years, or until such time OPM is assured that agencies are routinely following prudent procedures that are within the intent of the Reform Act. After it is assured that agencies are using prudent procedures, OPM should continue to monitor awards on a postaward basis through its data collection system and compliance visits to agencies. Further, the Director, with the help of agencies, should study the issues that may affect SES success, such as those identified in this report; evaluate the adequacy of SES bonus systems; and, as necessary, make recommendations for legislative change. These recommendations should include methods, amounts, and numbers of performance awards that will have the maximum effect in carrying out the intent of the Reform Act. Congress should allow the SES bonus and rank provisions to take effect with one exception. The one exception is that, for equity purposes among agencies, Congress should change the basis for the percent limit on number of bonuses paid from percent of positions to percent of eligible career executives.

Appropriations

Compensation - Senior Executive Service

Appropriations Committee Issues

The Committees should consider a number of issues which may affect the success of SES. These include the effect of pay compression, restrictions on awarding bonuses, and the ability of bonuses to act as an incentive to improve performance.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

GAO Findings on Federal Internal Audit--A Summary

(FGMSD-80-39, 5-27-80)

Budget Function: Financial Management and Information Systems: Internal Audit (1103)

Federal internal audit organizations save the Government billions of dollars each year. However, not all of their work is as effective as it could be, and internal audit problems have kept the Government from realizing the full benefit of their work.

Findings/Conclusions: Problems in Federal audit organizations include: low priority on preventing and detecting fraud, insufficient financial auditing, inadequate and insufficient audits of grants and contracts, a need for more computer auditing, poor followup on findings, and insufficient staff. The establishment of the Inspector General Offices and other recent improvements have the potential to strengthen Government auditing, but it is too early to say whether their efforts will correct all deficiencies. GAO will continue to work with internal audit and Inspector General organizations and will advise Congress of any further actions needed to solve these problems.

Agency Comments/Action

To date, the Office of Personnel Management has commented that it is using the report to improve its internal audit activities, specifically in the areas of financial auditing, grant and contract auditing, and computer auditing.

Appropriations

Internal audit activities - All Federal departments and agencies

Appropriations Committee Issues

Although Federal internal audit organizations save the Government billions of dollars each year, not all of their work is as effective as it could be, and internal audit problems have kept the Government from realizing the full benefit from their work. Although many actions have been initiated to solve these problems, their ultimate success cannot be predicted. GAO will continue to work with internal audit and Inspector General offices and will advise the Congress of any further actions needed to solve the problems discussed in this report.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Improving the Productivity of Federal Payment Centers Could Save Millions

(FGMSD-80-13, 2-12-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Civil Service Reform Act of 1978. 20 U.S.C. 2307. 31 U.S.C. 529. 41 U.S.C. 255.

Inefficiencies in processing payments to vendors for goods and services cost the Federal Government millions annually. For example, productivity rates achieved by Federal payment centers in the vendor bill-payment function varied by about 600 percent. Although the bill-payment function is a readily measurable, repetitive process, most payment centers GAO examined did not have productivity measures. Thus, GAO constructed many of the measures on which the performance data was based. GAO determined three primary reasons for the large variance: (1) the degree of management concern for, and use of efficiency measures; (2) the volume of workload processed by the centers; and (3) the degree to which automation or improved processes and procedures were used in the payment process.

Findings/Conclusions: According to payment center managers, the major cause of low productivity was the disincentive to be efficient. These disincentives included: (1) across-the-board budget cuts, which encouraged managers to keep staff above minimum levels in order to absorb the cuts and still perform the work; (2) tying grade levels to number of staff supervised; and (3) inability of managers to discipline employees who do not perform. Alternatively, the managers of payment centers with high productivity showed a high degree of concern about productivity and had reasonably good systems designed to identify expected performance and measure against it. However, one nonprocedural factor that affected productivity was workload volume. Payment centers with large workloads normally achieved higher productivity rates than centers with low volumes. High volume allowed economies of scale and assembly-line techniques to be used. Just as automation and statistical sampling contributed to high productivity rates, duplication of effort, problems in timely submission of receiving reports and limited sharing of knowledge on processing rates and methods used to improve efficiency contributed to the low processing rates. Newly enacted legislation should help make managers more acutely aware of the need for emphasizing productivity. However, GAO does not feel that legislation alone would result in a significant increase in productivity measurement. The Office of Personnel Management needs to take an active role in supporting productivity measurements.

Recommendations: The heads of individual departments and agencies should develop systematic measures of productivity covering their payment centers. In addition, these departments and agencies in order to improve productivity should: (1) eliminate or consolidate payment centers which, due to low volume, cannot be made efficient; (2) use alternatives to receiving reports such as fast-pay procedures, where possible; (3) analyze the processes and procedures used in examining payment transactions to identify and eliminate unnecessary or redundant steps; (4) use statistical sampling techniques in auditing payment transactions in accord with GAO requirements; and (5) initiate periodic exchange of information on methods and procedures between payment centers that are within the same agency and with other agencies. Additionally, for payment centers and related financial management functions, the Joint Financial Management Improvement Program has a role which the Office of Personnel Management should consider drawing upon. GAO further recommends that the Executive Director, Joint Financial Management Improvement Program, request that agencies report the progress made in measuring and improving productivity within their payment centers as part of the agency's annual financial management improvement report.

Agency Comments/Action

The recommendations were strongly supported by most Federal agencies. OPM is planning a workshop for Federal agencies on the subject and most agencies are planning to implement the recommendations.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine if agencies are taking actions to improve the productivity of the payment process. They should also determine whether OPM and OMB have taken actions to encourage productivity improvement in the payment process by developing standards and measures and using them in the budget process.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Mission Budgeting: Discussion and Illustration of the Concept

(PSAD-77-124, 7-27-77)

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (0051)
Legislative Authority: Energy Reorganization Act of 1974 (P.L. 93-438). National Aeronautics and Space Act of 1958 (P.L. 85-568). Congressional Budget Act of 1974 (88 Stat. 297). Sunshine Act of 1977; S. 2 (95th Cong.). Budget and Accounting Procedures Act of 1950. H. Rept. 94-1231. S. Rept. 95-164. S. Rept. 95-129. OMB Circular A-109. DOD Directive 5000.2.

The mission budget concept offers significant potential for alleviating problems with the way the Federal budget is currently presented and the limitations it imposes on congressional review. The common complaint with the present system is that Congress gets a great mass of detail but not a coherent picture of what the money is for and why it is needed. A mission budget structure links an agency's basic responsibilities, or "missions," to its activities and their proposed funding. Descending levels of the structure then focus more sharply on specific purposes, needs, and programs to satisfy them.

Recommendations: Congress should begin to experiment with mission budgeting in carrying out its budget review, authorization, and appropriation functions because the concept has significant potential for: helping the President and Federal agencies formulate budgets according to end purposes, needs, and priorities; strengthening congressional policy review and program oversight; achieving greater public accountability in the use of Federal funds; providing one budget system oriented to both executive and congressional needs; clarifying mission responsibilities of the Federal agencies and keeping them relevant to national policies and needs; and serving as a structural foundation for "zero-base" and "sunset" reviews as well as for governmental reorganization.

Agency Comments/Action

Congress requires mission informational displays in Presidential budgets but has yet to fund budget requests of the agencies on that basis. A few committees are beginning to experiment with the concept. For example, Agriculture is working with the Senate Appropriations Committee. Defense took a first step by reclassifying its Research and Development (R&D) budget structure from product orientation to broad strategic and tactical programs. At lower tiers, however, product classification still exists, so that mission areas and needs are not discernible. The House Armed Services Committee's R&D Subcommittee conducted portions of its fiscal year 1980 budget review on a mission basis.

Appropriations

All Federal agencies

Appropriations Committee Issues

It is difficult for the Congress to absorb great masses of input activities and adjust up or down (or cancel out) the "right kinds" of activities in any precise way. Since congressional members are not technical specialists, would it not be better for them to focus more on regular mission reviews, policy, and early key program decisions? Appropriation subcommittees get only "slices" of agency missions and are not aware of mission funding from year to year nor of what mission results are achieved with this money. The Committees should consider how budget requests should be modified or subcommittee jurisdictions realigned to deal with agency missions. Mission budgeting clarifies the end purposes of tax dollars to Congress and the general public. Questionable mission purposes and priorities can be revised and funding levels can be raised or lowered with congressional guidance provided in specific areas. The Committees should consider whether they should set up a joint program with the executive branch to more fully test and evaluate the mission concept. In a more recent follow-up report, GAO illustrates one approach to such an executive/congressional program (PSAD-78-100, 7-31-78).

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Need for Overall Policy and Coordinated Management of Federal Retirement Systems (Volumes I & II)

(FPCD-78-49, 1-29-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Employee Retirement Income Security Act of 1974. Career Compensation Act of 1941. Contingency Option Act, 1953. Dual Compensation Act, 1964. Civil Service Reform Act of 1978. Foreign Service Act of 1946. Civil Service Retirement Act of 1942. Agricultural Credits Act of 1923. Home Loan Bank Act of 1932. Social Security Amendments of 1956. Social Security Amendments of 1967. Social Security Amendments of 1977. Social Security Act. P.L. 95-256. P.L. 95-472. P.L. 95-179. P.L. 95-366. S.R. 244, 95th Cong. B-184705 (1975). 5 U.S.C. 8344(a). 5 U.S.C. 2105.

At the request of three House committee/subcommittee chairmen, GAO studied the desirability of establishing a mechanism to provide coordinated management of all retirement systems for Federal personnel in the executive, legislative, and judicial branches.

Findings/Conclusions: Federal retirement programs have not received the management attention they deserve. The lack of overall Federal retirement policies has resulted in a patchwork of systems providing different benefits to various groups of employees. Based on this review, GAO believes a centralized focus on retirement matters would help assure that the system develop on a consistent and financially sound basis. No need was found for each retirement system to have its own independent administrator and separate congressional committee responsible for its oversight and legislative changes. GAO does not agree that preferential or special treatment being afforded many Federal personnel is justified or should be continued. In addition to the differences in benefit provisions, there are significant differences in the methods by which the systems are costed and funded. If all Federal employees are to be covered by consistent retirement provisions, a decision must be made on whether Social Security should be part of their retirement plan. The future development of the Government's retirement systems should be guided by principles and objectives embodied in an overall, coherent, Federal retirement policy.

Recommendations: The appropriate committees of Congress should hold hearings to evaluate in depth the issues raised in this report and to set in motion actions necessary to establish an overall Federal retirement policy and a mechanism for coordinating the management of Federal retirement systems. The necessary action would include: (1) establishment of Federal Retirement Policy which outlines the principles, objectives and standards to be followed in providing retirement benefits to military and civilian personnel; (2) a review of existing systems to determine the extent to which they need changes to conform to set established policy, including consolidation of systems wherever practical; (3) adoption of actuarial evaluation methods and funding provisions that reflect the full cost of accruing retirement benefits; (4) development of eligibility criteria for participation in a Federal retirement system; and (5) centralization of committee jurisdiction over retirement matters to better assure consistent application of policy. GAO believes the establishment of a permanent independent board with authority and responsibility for monitoring the development, improvement, and administration of Federal retirement systems is necessary.

Agency Comments/Action

Agencies responsible for administering the retirement systems agreed that an overall Federal retirement policy was needed, but agreed that separate systems should be continued. Early in the 96th Congress, the Chair of the House Subcommittee on Compensation and Employee Benefits introduced a resolution calling for centralizing of committee jurisdiction over Federal pension plans. The Subcommittee plans to hold hearings next year on the issues raised in the report. Also, the report served to influence the Congress in funding the President's Commission on Pension Policy. The Commission is making extensive use of the report in developing a national pension policy. GAO expects that Congress will take a significant step toward conforming military and civil service benefit calculations. Conferees have agreed on the 1981 Defense authorization bill which provides that military annuities will be based on a high-three rather than final pay as is its current practices.

Appropriations

Personnel salaries and expenses - Government-wide

Appropriations Committee Issues

Inconsistent and inadequate costing and funding methods used for most Federal retirement programs should be corrected. It is imperative that the full costs of Federal retirement be recognized and funded on a consistent basis.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Part-Time and Other Federal Employment: Compensation and Personnel Management Reforms Needed

(FPCD-78-19, 6-5-79)

Budget Function: General Government: Central Personnel Management (0805)

Legislative Authority: Annual and Sick Leave Act (5 U.S.C. 6301 et seq.). Employee Retirement Income Security Act of 1974 (P.L. 93-406). Federal Employees Part-Time Career Employment Act of 1978 (P.L. 95-437). P.L. 83-598. P.L. 86-382. 5 U.S.C. 81. 5 U.S.C. 83. 15 U.S.C. 85. 5 U.S.C. 8347. 68 Stat. 736. 73 Stat. 708.

Part-time, intermittent, seasonal, or temporary Federal workers now comprise almost 14 percent of the Federal work force, and this figure should increase substantially because of the part-time Career Employment Act of 1978. They generally receive the same basic pay rate as permanent, full-time workers, but their eligibility for fringe benefits depends on various factors controlled largely by the employing agency.

Findings/Conclusions: At present, the fringe benefits being paid to workers employed less than full-time are inequitable and inconsistent. Some employees receive too many benefits, some none, and others not enough. Inequities also exist between benefits of less than full-time workers and those of full-time Federal workers. Studies indicate that private employers who extend benefits to part-timers prorate their benefits on the basis of hours worked or earnings. The Office of Personnel Management needs to improve its employment guidance to Federal agencies and better monitor agencies' employment designations to help insure that resulting fringe benefits are equitable, consistent, and cost-effective. A number of hidden benefit costs associated with Federal employment, particularly unemployment compensation benefits, are not recognized or charged to the employing agency, possibly decreasing incentives for proper workload management and discouraging good personnel management.

Recommendations: The Director, Office of Personnel Management (OPM) should: propose legislation to provide prorated fringe benefits to less than full-time Federal employees, where administratively feasible, and charge each agency the full costs of its employees' health, life, and retirement benefits, less employee contributions; reexamine the existing types of appointments, tours of duty, and projected lengths of service and issue regulations clarifying when certain designations should be used; reevaluate the continuance of full health and life insurance coverage of employees in a nonwork status for up to 1 year, granting full-time retirement credit for less than full-time service without corresponding contributions. OPM should improve its monitoring of agency personnel actions which affect the benefit eligibility of less than full-time employees. The Secretary of Labor should study and report to Congress on the feasibility and costs of requiring agencies to budget for and pay unemployment compensation benefits.

Agency Comments/Action

The Office of Personnel Management agreed that the existing fringe benefit approach has caused inequities and inconsistencies and told several congressional committees it will pursue most of our recommendations. The Office of Management and Budget and Department of Labor agreed that the concept of charging Federal agencies for unemployment compensation payments should be explored.

Appropriations

Salaries and expenses - Office of Personnel Management
Salaries and expenses - Department of Labor

Appropriations Committee Issues

Recognizing all fringe benefit costs, including unemployment compensation payments, and requiring Federal agencies to budget and pay for these costs would not only enable the Congress and the public to better evaluate the cost-effectiveness of Government programs but also encourage better administration and better personnel management. The proposed unemployment compensation charge-back system could also help prevent fraud and abuse in that program.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Purchase Price of Strategic Petroleum Reserve Oil Fair But Payment Timing Is Costly

(PSAD-80-30, 4-3-80)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

The Defense Fuel Supply Center (DFSC) is responsible for buying oil for the Strategic Petroleum Reserve. According to Department of Energy expectations, the reserve will ultimately contain 1 billion barrels of oil at a cost of $22.6 billion for the first 750 million barrels. A review was made of the cost of the 113 million barrels of oil purchased through June 30, 1979.

Findings/Conclusions: The prices paid were competitive with prices in commercial markets during the period reviewed. However, the Defense Logistics Agency (DLA), which pays the DFSC bills, had not complied with Department of the Treasury regulations which require Federal agencies to refuse prompt payment discounts offering a rate of return below 9 percent per annum and to pay no bills sooner than due. This policy was designed to prevent agencies from accepting discounts whenever the discount offered is less than the Government's cost of financing the payments. DLA continued to take the uneconomical discounts and to pay invoices before they were due because DLA officials improperly calculated the rate of return offered, erroneously believed they were required to take uneconomical discounts in certain circumstances, and did not have established procedures to deliberately forgo uneconomical discounts. Following current Treasury policies could save the Government as much as $17.7 million over the remaining life of the Strategic Petroleum Reserve Program. An additional $18.5 million could be saved in crude oil costs if policies were instituted to require all agencies to consider the Government's cost of money while evaluating bids and if the Treasury were to develop and periodically revise an estimate of the cost of money to be used during offer and payment evaluations.

Recommendations: The Director of the Office of Management and Budget (OMB), in connection with the Secretaries of Defense and the Treasury and the Administrator of the General Services Administration (GSA), should (1) establish, as a matter of policy, that agencies must consider the time value of money as part of their bid evaluation procedures, and (2) establish and periodically update an index reflecting the Government's current cost of money to be used when evaluating prompt payment discounts and contract offers. The Secretary of Defense should direct the Director of DLA to establish regulations and procedures which assure that bills are not paid until due and uneconomical discounts are not taken.

Agency Comments/Action

DOD and GSA generally agreed with the recommendations. However, OMB saw some difficulties in including the "time value of money" as a bid evaluation factor. Treasury noted that, although it is in favor of measures taken by the agencies to give consideration to the time value of money in financial transactions, it generally opposes the use of current rates by agencies to evaluate competitive bids involving different terms for future payments. Instead, it prefers that consideration be given to the time value of money in procurement arrangements through the establishment of payment terms. It believes that by indicating the payment terms in the solicitation of bids, all bidders will be on the same basis with respect to the time value of funds and may submit their bids accordingly.

Appropriations

Strategic Petroleum Reserve - Department of Energy and various civil and defense agencies' appropriations

Appropriations Committee Issues

Agency actions are needed to (1) assure that bills are not paid until due and uneconomical discounts are not taken, (2) establish that the time value of money is considered in bid evaluation procedures, (3) establish and periodically update an index reflecting the Government's cost of money when evaluating prompt-payment discounts and contract offers. Prior to appropriating monies for the agencies, particularly Treasury, OMB, Defense, Energy, and GSA, the Committees should evaluate the efforts being made to achieve these economies.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Review of Federal Agencies' Gift Funds

(FGMSD-80-77, 9-24-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: 46 Comp. Gen. 689.

GAO was requested to review the larger gift funds managed by Federal agencies, including fund balances, sources of income, and purposes of expenditures with particular emphasis on travel and entertainment.

Findings/Conclusions: During fiscal year 1979, 41 Government agencies received a total of $21,631,000 classified as gift revenue. The revenue was derived from a variety of sources, including private individuals, corporations, and nonprofit organizations. In addition to donations, income such as honoraria, travel reimbursements, and funds received under agreements between Federal agencies and nongovernmental organizations is also classified as gift revenue. The agencies have great flexibility in using gift funds depending on their needs. GAO evaluated selected gift fund disbursements in light of this broad discretion, and found that the funds were generally used to further agency goals. Because gift funds are financed by private sources, they do not go through the appropriation process as would other agency funds. Thus, Congress is not involved in setting funding limits or priorities for gift fund activities. In addition, Congress receives only minimal information about gift fund activities.

Recommendations: In view of the lack of gift fund information available to Congress, the Office of Management and Budget should: (1) require Federal agencies to more fully disclose gift fund operations in their budget submissions; (2) review agency budget submissions to assure that reporting requirements are met; and (3) develop Government-wide criteria for the solicitation, receipt, and use of gift funds.

Agency Comments/Action

No agency comments were received as of October 15, 1980.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should determine whether any gift funds are being used to supplement appropriated fund activities, and if so, establish the amount. The Committees should also include restrictions in appropriation language to preclude the use of gift funds to supplement areas in which budget restrictions are specifically requested.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Spending Authority Recordings in Certain Revolving Funds Impair Congressional Budget Control

(PAD-80-29, 7-2-80)

Budget Function: Congressional Information Services (1008)
Legislative Authority: Congressional Budget Act of 1974 (P.L. 93-344; 2 U.S.C. 601). Independent Agencies Appropriations Act, 1979. Legislative Reorganization Act of 1970. Housing and Urban Development Act of 1965 (P.L. 89-117). Independent Agencies Appropriation Act, 1978 (P.L. 95-119). National Housing Act. Department of Agriculture and Related Agencies Appropriations Act, 1969. Participation Sales Act of 1966 (P.L. 89-429). Housing and Urban Development Act of 1968 (P.L. 91-121). Department of Agriculture and Related Agencies Appropriations Act, 1974. Budget and Accounting Act. P.L. 91-469. OMB Circular A-11. OMB Examiner's Handbook 124B. B-159687 (1976). B-114828 (1977). B-107449 (1973). 31 U.S.C. 1302. 42 U.S.C. 1487(h). 12 U.S.C. 635d. 17 U.S.C. 903. 68 Stat. 94-95.

Program administrators use budget authority to borrow amounts from Treasury or non-Treasury sources to finance their revolving fund loan programs. In some cases, this authority represents authorized net borrowings (gross borrowings less repayments) rather than authorized gross borrowings. As a consequence of this procedure, a program's gross borrowings in a fiscal year can easily exceed its recorded borrowing authority for the year. This gap between authority recorded in the budget and total borrowings can increase in succeeding years as recordings of borrowing authority are used for several cycles of borrowings, rolled over. For the fiscal years 1932-79, total actual borrowings from Treasury were an amount almost twice the amount of recorded authorizations. Programs in 22 accounts spanning 12 Federal departments and agencies had followed this procedure in 1979. These programs had outstanding borrowings from Treasury totaling about $96 billion.

Findings/Conclusions: GAO believes that Congress' budgetary control suffers when budget authority recordings for the revolving fund loan program express authorized net borrowings. Net-based recordings of borrowing authority do not disclose the full amount of obligational authority made available through authorized borrowings. Use of net-based borrowing authority amounts lessens budgetary consistency, complicating the budgetary process and making it more difficult for Congress to set priorities and make comparisons among programs. The budget authority recordings and totals for programs financed with appropriations represent gross, not net, funds. There are several programs in the budget in which borrowing authority recordings represent authorized gross borrowings, not net. Congress' budgetary control is weakened when agencies conduct several cycles of borrowings in the absence of new congressional authorizations. Conversion to gross-based borrowing authority in revolving fund loan programs would result in budget authority recordings that express more fully the obligational authority made available through borrowings. Such gross recordings still might not fully express total obligational authority made available, because total obligational authority also includes the collections made available through the cycle of program operations and assorted financing mechanisms. Budget authority recordings in these cases should encompass the authority to obligate funds whatever their source, including collections from program operations.

Recommendations: The Director of OMB should revise the way the definition of budget authority is applied to revolving fund loan programs so that budget authority for these programs is the amount of gross obligations or gross loan obligations authorized to be made. Congress, in reviewing revolving fund loan programs, should place specific limits on the gross obligations, or gross loan obligations, authorized to be made, and require that such limits be treated as the relevant budget authority amounts.

Agency Comments/Action

OMB disagreed with the recommendations to them, stating that the recommended change would conflict with customary budget procedure and inflate the budget authority totals of the budget.

Appropriations

Revolving funds - All Federal departments and agencies

Appropriations Committee Issues

The Committees should consider whether OMB should revise the way the definition of budget authority is applied to revolving fund loan programs.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Status, Progress, and Problems in Federal Agency Accounting During Fiscal 1979
(FGMSD-80-52, 6-20-80)

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: Government Corporation Control Act (31 U.S.C. 841). Legislative Reorganization Act of 1970. Accounting and Auditing Act. H. Rept. 90-1159. 31 U.S.C. 66a. 31 U.S.C. 66(c).

As of September 30, 1979, 62 percent of the executive agencies' accounting systems had been approved as required by the Accounting and Auditing Act. The remaining 38 percent have not been approved because they do not meet GAO requirements for approval, the agencies have not requested approval, or the agencies are developing new systems to take the place of those now in operation. The remaining unapproved systems comprise some of the largest and most important systems. More than half of the Federal budget was accounted for by the unapproved systems of only two departments: Defense and Health, Education, and Welfare. The GAO goal is to have all the accounting systems approved by March 1, 1981. Congress declared that the Government's accounting should provide full disclosure of the results of financial operations; adequate financial information needed in the management of operations and the formulation and execution of the budget; and effective control over income, expenditures, funds, property, and other assets. Not until GAO has evaluated an accounting system for approval can Congress be assured that its policy has been adhered to. Only by such an evaluation can GAO determine that the agency is in compliance with the principles, standards, and related requirements for accounting which GAO is mandated by Congress to prescribe. GAO approval is the best indication that an agency has accounting systems which will minimize the opportunity for fraud, abuse, and error.

Findings/Conclusions: Approval of most of these systems is long overdue. Every year millions of dollars are spent to improve agency accounting systems. GAO tries to persuade the agencies to get approval on their designs and redesigns before they implement them. In most cases, however, the agency installs and commences to operate the system without GAO approval. Frequently, it is found that the system does not meet GAO requirements.

Recommendations: Congress should ensure that agencies have adequate resources to improve and qualify their systems for approval, but that no funds be used to implement the designs or redesigns of accounting systems that have not been approved by the Comptroller General.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should consider the recommendations to Congress.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

A Study of the Joint Funding Simplification Act

(GGD-79-87, 7-26-79)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Joint Funding Simplification Act of 1974 (P.L. 93-510). S. 878 (96th Cong.).

The Joint Funding Simplification Act is in its fifth and final year as currently authorized, and will expire in February 1980.

Findings/Conclusions: The implementation of the Joint Funding Simplification Act has been a disappointment. Only seven new joint funding projects have been funded since the Act was passed over 4 years ago. The reasons for the low level of joint funding activity, as reported by the Office of Management and Budget (OMB) in its April 1979 evaluation report, included: lack of adequate and timely leadership, support, and oversight by OMB; Federal agencies' limited commitment; the Act's permissive nature; the fact that Federal agency participation is not mandated, and no effective forum exists for conflict resolution among agencies; statutory provisions in individual agency programs which prohibit participation in the joint funding process; and Federal agencies' inexperience with, improper use of, or nonadherence to OMB Circulars. The findings confirmed those identified in the OMB report. Despite the drawbacks, the experiences of a few highly successful joint funding projects have demonstrated that, given the proper level of Federal support, joint funding is a viable process for packaging related programs and simplifying grant administration. The State and local governments and Federal agencies which have established successful joint funding projects have become strong proponents of the process.

Recommendations: Congress should reauthorize joint funding legislation as proposed in the Integrated Grant Development Act, Title III, S.878. This legislation will help strengthen joint funding by mandating that Federal grantor agencies more seriously consider the joint funding process. It will also provide a stronger role for OMB to include: the training of Federal agency personnel; the development of criteria to guide Federal agencies in identifying programs suitable for integrated grant administration; the resolution of conflicts between agencies in developing uniform provisions; and the resolution of conflicts between agencies and recipients in developing and administering integrated grant programs.

Agency Comments/Action

In July, September, and October 1979, the Senate Subcommittee on Intergovernmental Relations, Committee on Government Operations, held hearings on the proposed joint funding legislation.

Appropriations

Various agencies

Appropriations Committee Issues

The Congress should reauthorize joint funding legislation which mandates that Federal grantor agencies more seriously consider the joint funding process.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Transfers of Excess and Surplus Federal Personal Property--Impact of Public Law 94-519

(LCD-80-101, 9-30-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Foreign Assistance Act of 1961. Department of Agriculture Organic Act of 1944. National Science Foundation Act of 1950. Federal Property and Administrative Services Act of 1949. Public Works and Economic Development Act of 1965. Indian Financing Act of 1974. P.L. 94-519. P.L. 95-224. F.P.M.R. 101-43. 40 U.S.C. 493.

Public Law 94-519 significantly changed various Government policies and procedures on the transfer of excess and surplus Federal personal property to non-Federal organizations. The Law's objectives included restricting the transfer to non-Federal organizations of excess property that might be needed within the Federal Government, and encouraging the fair and equitable donation of surplus property to meet the needs of a wide range of eligible non-Federal organizations.

Findings/Conclusions: Much less excess property is now being transferred to non-Federal organizations and a greater portion is being transferred to Federal agencies for their use. There is a greater flow of surplus property to eligible donees. The General Services Administration (GSA) and the responsible State agencies appear to be reasonably effective in their efforts to distribute property fairly and equitably. However, improvements are needed to ensure that the property is managed and used as required by implementing regulations. In the management of the surplus property Donation Program, GAO found instances of the failure of States to submit permanent, legislatively developed Donation Program plans of operation, as required by law. There were inconsistent and possibly excessive service charges assessed by State agencies, inadequate inventory control procedures, nonuse or improper use of property by donees, and insufficient audit and review of the Donation Program. The Law's provision concerning the return of excess property located overseas may restrict the Agency for International Development (AID) access to domestic property and property in Europe. The Law did not change the priorities of voluntary organizations regarding domestic or other foreign excesses. Recent congressional action will require the Department of Defense to recover greater costs for its surplus property. GAO believes that the imposition of a care and handling surcharge will result in reduced donee participation in the program.

Recommendations: The Administrator of General Services should require GSA personnel to review proposed transfers of excess property to Federal grantees thoroughly and to return, without approval, those which do not appear to be proper. These include any nonreimbursable transfers of common-use items to National Science Foundation grantees and any transfers to grantees whose eligibility apparently has expired or soon will. He should improve GSA procedures for allocating donable property among the States by requiring the GSA allocating regional offices to accumulate and use information on past allocation of highly desirable reportable items of property. This information should include, for each type of item the quantity, acquisition cost, and condition of property previously allocated to each State. He should take the necessary actions, including establishment of timetables and penalties, to require all States to comply with the provisions of the Law, including: (1) submission of permanent, legislatively developed State plans of operation; (2) accomplishment of biennial external audits which include reviews of State Agency for Surplus Property compliance with the State plans of operation and applicable sections of the Federal Procurement Manual Regulations; (3) establishment of equitable service charges; (4) proper accountability for Federal property; and (5) proper use of property by donees. The heads of all Federal agencies which transfer excess personal property to their grantees should review their plans, policies, and procedures on such transfers and ensure that they fully comply with the applicable provisions of the Law and the implementing Federal Procurement Manual Regulations. Congress should clarify what costs relating to donated property it wants recovered so that the costs will be handled consistently for Department of Defense and civil agency property.

Agency Comments/Action

Agency comments on the final report had not been received as of October 30, 1980.

Appropriations

Appropriations for property management - Various agencies

Appropriations Committee Issues

The Committees should inquire into GSA progress in bringing about needed improvements in the Federal personal property Donation Program. The Committees should inquire into the progress of all Federal agencies which transfer excess personal property to their grantees in ensuring that their plans, policies, and procedures on such transfers comply with the applicable provisions of law and the implementing Federal Property Management Regulations. Congress should clarify what costs it deems should be recovered under section 203(j)(1) of the Federal Property and Administrative Services Act of 1949.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

U.S. Income Security System Needs Leadership, Policy, and Effective Management

(HRD-80-33, 2-29-80)

Budget Function: Income Security (0600)
Legislative Authority: Social Security Act. Employment Act of 1946. Railroad Retirement Act of 1935. Railroad Unemployment Insurance Act. Fair Labor Standards Act of 1938. Comprehensive Employment and Training Act of 1973. Privacy Act of 1974. Tax Reform Act of 1976.

Over the past 10 years, Federal income security spending has risen by nearly 250 percent to become the largest part of the budget. The 37 officially labeled income security and related programs in the 1979 Federal budget cost about $215 billion, or about 43 percent of the President's $500 billion budget. Income security tax expenditures, resulting from provisions of the income tax system which allow retention of income that otherwise would be taken through taxes, totaled about $30 billion. State and local programs usually supplement Federal programs or provide assistance to persons not eligible for Federal aid. Along with private sector and charitable activities, these programs account for billions of dollars in additional expenditures. Individually the programs serve worthwhile, necessary goals, and collectively they have done much to prevent or eliminate poverty and lessen tax burdens for millions of Americans. Still there is widespread criticism of the system; the programs are too profuse, too complex, and seem unmanageable. Unmet needs, inequities, inefficiencies, strong work disincentives, and questions about the Nation's continuing ability to meet income security needs and stay within acceptable spending levels remain.

Findings/Conclusions: Over the past 10 years, system studies have repeatedly documented income security program problems. The following situations tend to recur. The programs contribute to common goals, often serve the same individuals, and interact substantially with one another. There is a failure to view income security programs as a coherent whole or system within a well-defined policy framework. The fragmented and uncoordinated nature of the system complicates policymaking, management, and evaluation. The comprehensive knowledge and information needed to evaluate the system do not exist. Despite these findings, each program or set of related programs continues to be managed as a single entity with little deliberate planning of the relationship of the programs to one another. Because of data and measurement deficiencies, there is no way to determine who benefits, how often, with what degree of accuracy, and by what measure of social or economic need. Reform efforts cannot be measured for the extent of their improvement over existing programs. The reliability of traditional indices is questionable. At the program level, information is not consistent and is not readily available to compare programs. At the operating level, recent legislation has made exchanges of information difficult and sometimes untimely. Because the income security system affects virtually all individuals and sectors, all proposals for change will encounter some opposition. Lack of central leadership for the programs underlies many of the problems found.

Recommendations: While the recommended legislation is being developed, the President should direct the Office of Management and Budget and other executive agencies to begin working toward the goals outlined. If legislation is enacted, the President should direct that points of coordination be established for the income security body at appropriate levels within each affected executive agency. The Congress should enact legislation to establish a national body, such as a National Income Security Commission, to provide central system leadership. In developing such legislation, the Congress should determine, with the assistance of the executive branch and other experts and affected organizations, the body's (1) most appropriate organizational form, structure, and location; (2) authorities and jurisdiction; (3) membership, staff, and tenure; and (4) specific goals duties, and functions. It is suggested that the Congress in its deliberations consider constituting the body as an independent entity. It should serve in an overall advisory capacity to the Congress and the executive branch, with specific responsibility for standardizing program data and reporting requirements, conducting and promoting research, and similar duties. Its membership should be broad, representing government and private organizations and groups. The body should have a long-term, continuing charter, subject to a periodic evaluation by the Congress. While the legislation is being developed, the Congress should establish select Senate and House committees or a joint committee to begin working toward the goals outlined.

Agency Comments/Action

Because of the numbers involved and the scope of matters discussed in the report, comments were not solicited from Federal departments and agencies. Rather, an expert-consultants panel with members from universities, research foundations, private interest organizations, and former Federal cabinet members reviewed and discussed the draft reports, and suggested priority issues which the proposed independent income security group should address. These suggestions were incorporated into the report.

Appropriations

Appropriations for income security functions of various departments and agencies

Appropriations Committee Issues

The Appropriations Committee issues are the same as the recommendations to Congress.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Wider Use of Better Computer Software Technology Can Improve Management Control and Reduce Costs

(FGMSD-80-38, 4-29-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: OMB Circular A-54. OMB Circular A-71. OMB Circular A-109. OMB Circular A-113. F.P.M.R. 101-35.206. F.P.M.R. 101-35.206(a)(3). F.P.M.R. 101-36.16.

Computer software is the most important part of automatic data processing systems today. It is expensive to develop and maintain, and errors and omissions in software can seriously disrupt automated systems. Because the Federal Government spends billions of dollars annually on computer programs, GAO undertook a review to assess current practices by Federal agencies in using software tools and techniques to maintain computer programs.

Findings/Conclusions: GAO found that many opportunities exist for greater use of software tools and techniques. Many Federal installations have not exploited the benefits of modern software tools and techniques as well as they could have. Computer specialists at many agencies were unaware of the newer, better methods; others were reluctant to change to them. Additionally, GAO found that the Federal use of software tools and techniques can be improved by providing better guidance to agencies, more emphasis on software by management, and effective Government-wide coordination and sharing of tools. However, the agencies' adoption of the newer technology should be based on a careful study of all costs and benefits. Also, unless Federal automatic data processing management makes more use of such technology, Federal computer software will continue to cost millions more than is necessary.

Recommendations: The Director of the Office of Management and Budget should: (1) require heads of Federal agencies to establish software quality assurance functions in their agencies; (2) more clearly define the responsibilities of agency heads and automatic data processing managers for the acquisition, management, and use of software tools and techniques; and (3) direct the establishment of coordinated Government-wide research and development for software tools and techniques which will include provision for disseminating information to all potential Federal users. Additionally, the Administrator of the General Services Administration should: (1) modify Federal Procurement Management Regulation 101-35.206 to incorporate actions that agencies should take to improve their applications software; (2) establish a set of standard tools for solving operational problems and for promoting efficiency and economy; (3) require that certain standard inspections, using software tools, be done on contractor-developed software; and (4) establish a software tools category in the Federal Software Exchange Center and provide technical aid for the sharing of tools. Moreover, the National Bureau of Standards (NBS) should develop or adopt standards or guidelines for using software tools.

Agency Comments/Action

The General Services Administration (GSA) said that the Federal Computer Testing Center has begun a project for validating contractor developed software as recommended, and it will add a software tools category to its software exchange catalog as recommended. NBS said that it is now developing guidelines for tools and techniques, and working with GSA as recommended.

Appropriations

All Federal agencies

Appropriations Committee Issues

The Committees should monitor agencies' compliance with the recommendations.

DEPARTMENT OF AGRICULTURE

Department of Agriculture: Actions Needed To Enhance Paperwork Management and Reduce Burden

(GGD-80-14, 3-10-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Federal Reports Act, 1942. Packers and Stockyards Act, 1921. Executive Order 12044. Executive Order 12174. OMB Revised Circular A-40.

A study was undertaken which examines the effectiveness of the Department of Agriculture's (USDA) paperwork management program and policies. To manage paperwork effectively, Federal agencies need reliable information on the burden imposed on the public, the use made of the information requested, and the extent of duplicate reporting. To ascertain burden estimates, 87 USDA requirements were analyzed. How reasonable or reliable the estimates are is difficult to ascertain, since neither the USDA nor the Office of Management and Budget (OMB) has made a comprehensive evaluation.

Findings/Conclusions: The USDA should improve its paperwork management program to better manage and further reduce the burden imposed on the public. In determining the true burden imposed on the public, burden estimates are used as an indicator to manage and limit the paperwork burden imposed. Thus, accurate and reliable burden estimates are essential. To prepare the burden estimates, the Food Safety and Quality Service (FSQS) relied soley on its program staff's judgment rather than contacting respondents. However, staff judgment does not produce reliable estimates. Additionally, the USDA agencies must justify need and demonstrate practical utility when collecting Federal paperwork from the private sector. Practical utility is defined by OMB as an agency's ability to use and timely process the information it collects. However, the FSQS and the Packers and Stockyards program (P&S) justify need on the basis that the reporting is required under USDA regulations and by law; and the USDA practical utility review is conducted informally without documentation to support what was questioned or changed.

Recommendations: The Secretary of Agriculture should: (1) require the USDA clearance office to upgrade policies and guidelines for estimating burden, assessing utility, and identifying and eliminating duplication; (2) require each agency to fully assess the burden and utility of its reporting requirements; (3) direct the clearance office to certify as reasonable only verified agency burden estimates and burden reductions; (4) approve only FSQS requests for clearance in which the method used to prepare the estimates is fully documented, ranges of respondent burden are shown, and the consolidation guidelines of OMB are correctly followed; (5) verify FSQS burden estimates either through historical data or contacting a sample of respondents before renewing reporting requirements; (6) repackage the meat inspections requirement into requirements based on functional areas; (7) oversee evaluation of the 1,100 locally developed forms and reports of FSQS; (8) direct the USDA agencies which use or collect information from slaughtering packers to coordinate their needs through P&S; (9) require the clearance office to identify and eliminate unnecessary duplication among the USDA forms and reports used to collect information from slaughtering packers; and (10) identify users of slaughtering packer data and the uses to which they put the information, and develop a common core of slaughtering packer information. In addition, the Secretary should direct the Administrator of FSQS to: (1) reduce the costs imposed on businesses by requiring them to submit only a single application with the proper number of finished labels for each product, and by reviewing label applications on a first-come, first-serve basis; (2) assess the practical utility of the FSQS label index; and (3) minimize conflicting reporting requirements in labeling regulations and inspectors manuals of FSQS which cause duplication and red tape. The Director of OMB should: (1) not delegate any additional authority to USDA for review of its repetitive reporting requirements until OMB has determined that USDA has corrected the shortcomings discussed in this report; and (2) designate USDA to be the focal agency responsible for overseeing the Government's collection of slaughtering packer information.

Agency Comments/Action

The Department stated that it essentially concurred with the findings, conclusions, and recommendations, and that it would implement the recommendations.

Appropriations

Department-wide - Department of Agriculture

Appropriations Committee Issues

The Committee should assure that the Department implements the recommendations of the report.

DEPARTMENT OF AGRICULTURE

Direct Farmer-to-Consumer Marketing Program Should Be Continued and Improved

(CED-80-65, 7-9-80)

Budget Function: Agriculture (0350)
Legislative Authority: Farmer-to-Consumer Direct Marketing Act of 1976 (P.L. 94-463; 90 Stat. 1982; 7 U.S.C. 3001 et seq.). Agricultural Marketing Act of 1946. Lever-Smith Act (Agricultural Extension Work). H.R. 12101 (95th Cong.).

The Farmer-to-Consumer Direct Marketing Act of 1976 authorized $3 million for Federal grants to initiate, encourage, develop, and coordinate methods of direct marketing from farmers to consumers. The Federal Direct Marketing Program, a pilot effort which began with the Act, ends after the 1980 growing season. Designed to give farmers higher returns and consumers cheaper, fresher food, the program has recently become more significant in view of increasing concerns over energy limitations, loss of prime farmland, and dependence on out-of-region food sources. Appropriations were been made available for use by State departments of agriculture and by the U.S. Department of Agriculture (USDA) Extension Service (now the Science and Education Administration-Extension) during fiscal years 1977 and 1978. The USDA Economics, Statistics, and Cooperatives Service also received a supplemental appropriation in 1978, to conduct a continuing survey of existing methods of direct marketing; equal amounts were budgeted in fiscal years 1979 and 1980. In 23 States and Puerto Rico, 21 direct marketing projects have been approved and are being administered jointly by the USDA Agricultural Marketing Service and the Science and Education Administration-Extension.

Findings/Conclusions: As farmer-to-consumer direct marketing increases, small-volume producers may be persuaded to keep their land and/or increase production. Farm income could be improved, consumers could be provided with fresher, lower cost food, and dependence on out-of-region food sources and on long distance transportation may be reduced. However, the pilot program is limited. Many final project evaluations will be based on activities which either cannot meet their objectives within the program's funding period or are of a continuing nature. Project progress reports have been subjective and have not contained enough information on problems and constraints to enable the program officials or Congress to fully evaluate the program's merits. Federal activities need to be better coordinated with State, local, and privately sponsored activities to ensure that maximum benefits are achieved. Further, the program does not provide for adequately assessing the impact of direct marketing on issues which have become more important since the passage of the Act. Extending the program could allow for more participation by local governments and private nonprofit groups and time for USDA to assess its effects on energy, land, and resource issues. While increased direct marketing may have an adverse effect in some sectors, the extent of any negative effects has not been estimated. The negative effects are believed to be minor in view of the potential benefits.

Recommendations: The Secretary, USDA, should require project evaluation reports to include information on any adverse effects of the projects, as well as specify constraints and problems encountered in particular activities. He should also designate a single office within USDA to be responsible for coordination of direct farmer-to-consumer marketing activities and to serve as a clearinghouse for exchange of direct marketing information between public and private organizations sponsoring activities. Congress should continue support for the Direct Marketing Program for an additional 2- to 3-year period by authorizing such funds as it deems appropriate to be used by the Secretary of USDA to (1) assist current program grantees having viable direct marketing projects in planning for continuing their activities once Federal pilot funds are terminated; (2) make grants available to either State or local public and private organizations for use in establishing additional direct marketing activities and projects; (3) evaluate the impacts, both positive and negative, of direct marketing on local and regional food production and security, development or retention of local jobs, energy consumption, and the ability of small farmers to keep their land; and (4) administer and coordinate the Direct Marketing Program.

Agency Comments/Action

USDA generally agreed with the findings, conclusions, and recommendations. It planned to take action with regard to the recommendations and formed a single committee to: (1) coordinate all USDA work on direct marketing; (2) eliminate unnecessary duplication of activities; (3) provide an information clearinghouse; and (4) evaluate program effectiveness.

Appropriations

Agriculture - Department of Agriculture

Appropriations Committee Issues

The Committees may wish to provide funds to extend the Direct Marketing Program for an additional 2- to 3-year period.

DEPARTMENT OF AGRICULTURE

A Framework and Checklist for Evaluating Soil and Water Conservation Programs

(PAD-80-15, 3-31-80)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Soil and Water Resources Conservation Act of 1977 (P.L. 95-192).

As a part of its continuing oversight assistance, GAO developed a checklist of questions for Congress to use in the oversight of the Department of Agriculture's (USDA) soil and water conservation programs. These questions and guidelines provide a systematic framework which can be used by USDA in conducting evaluations and for reporting information which is relevant in determining that soil and water conservation programs are meeting needs in an effective and efficient manner. Although this framework was developed with particular programs in mind, it is believed that this approach can be applied to other USDA programs and to programs of other departments and agencies.

Findings/Conclusions: The evaluation framework lays out questions and guidelines for identifying program purposes and objectives based on the problems which the programs are intended to solve. The questions and guidelines are intended to be based upon decisions that must be made regarding soil and water conservation programs by Congress and its committees, the Office of Management and Budget, USDA, and other groups and individuals who must decide whether to install or adopt a conservation practice. Ideally, the guidelines and any answers would first be used for program management and then in the budget process. The questions and guidelines were designed to establish a long-term framework for evaluating the performance of soil and water conservation programs. Because the questions are so complex, the framework will have to be adopted gradually, after a systematic analysis of the value and validity of each question. This analysis should determine what data is required, how it will be gathered and used, and how much the data-gathering system will cost.

Recommendations: USDA should develop a plan leading to an evaluation system covering all soil and water conservation programs. In developing this plan, USDA should determine the relevance of the questions included in the evaluation framework. In particular, the evaluation plan should identify the importance of these questions for program management and reporting program progress. USDA should also include in its annual report required by the Soil and Water Resources Conservation Act of 1977, statements on its progress and difficulties in trying to incorporate evaluation concepts into its management and reporting processes. Where evaluations are needed, Congress should work with agency officials to seek a common understanding on program objectives and acceptable performace measures and data for each program. In view of the complexity of this evaluation framework, implementation of the recommended evaluation plan will be incremental and can be expected to undergo many evolutionary changes. Therefore, Congress should review the evaluation plan and any reporting specifications so that information reported is as useful as possible in making decisions and setting budgets for these programs.

Agency Comments/Action

In the comments included in the report, USDA stated that it has already initiated actions which would satisfy the recommendations. In its followup letter, USDA said that it was developing such a plan. However, after the plan was developed by a working group, no further steps were taken. GAO assisted the Senate Committee on Appropriations in drafting a letter from Senator Thomas F. Eagleton, Chairman, Subcommittee on Agriculture, Rural Development and Related Agencies, to the Honorable Bob Bergland, Secretary of Agriculture, requesting him to reorient agency evaluation efforts.

Appropriations

Soil and water resources conservation and planning and analysis - Department of Agriculture

Appropriations Committee Issues

GAO recommended that USDA develop a plan leading to an evaluation system covering all soil and water conservation programs, taking into account the issues raised in this report. This has not been done.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL COOPERATIVES SERVICE

Family Farmers Need Cooperatives--But Some Issues Need To Be Resolved

(CED-79-106, 7-26-79)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Clayton Act (15 U.S.C. 17). Capper-Volstead Act. 7 U.S.C. 291. Cooperative Marketing Act of 1926 (7 U.S.C. 451). Farm Credit Act (12 U.S.C. 2001, 2128 et seq.). Agricultural Adjustment Act. Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 601, 608c).

Farmers still face some of the same problems they faced in the 1920's and 1930's when legislation first allowed them to form cooperatives to compete more effectively in the agricultural system. The overall trend in American agriculture has been one of increasing concentration marked by a decrease in the number of farms and an increase in average farm size, a greater share of total gross farm income going to large farms, and a larger portion of agricultural products handled by a smaller number of suppliers. Although cooperatives have grown in size and market share, they are still much smaller than some other businesses that compete with them in such markets as grains, fruits and vegetables, dairy products, poultry and eggs, and feed.

Findings/Conclusions: Cooperatives are an integral part of the agricultural structure. They provide farmers with an alternative for marketing products and for procuring farm items and services. Most farmers responding to a questionnaire viewed cooperatives as increasing the income and promoting a better way of life for family farmers. According to law, the Department of Agriculture (USDA) is responsible for making sure that cooperatives do not use their advantages to unduly enhance prices. USDA has done little to guard against undue price enhancement and other unfair practices. If USDA retains the regulatory function, it needs to establish a system to monitor cooperative activities and to take enforcement action where warranted. An emerging issue is corporate membership in cooperatives. Nonfamily farm corporations have joined cooperatives and enjoyed benefits Congress intended mainly for family farmers. Another issue of major concern to farmers is the failure of many cooperatives to retire systematically the retained earnings owed their members. The failure to retire retained equities in a timely manner can affect farmers' participation in cooperatives.

Recommendations: The Secretary of Agriculture should establish an enforcement and monitoring system so that cooperatives do not use monopolistic or other unfair trade practices to raise prices unduly; develop a set of cooperative conduct principles with the Federal Trade Commission and the Department of Justice; include specifically tailored conduct principles as terms and conditions in all future marketing orders, unless they are not warranted by marketing conditions; require that a national campaign be conducted to motivate cooperatives to adopt equity redemption programs that are fair to current and former members; and require that plans for assisting new and developing cooperatives be coordinated among responsible agencies before additional field offices are established. If Congress decides to limit participation of nonfamily farm corporations, the following four options should be considered: (1) ban corporate membership in cooperatives, (2) limit corporate membership to a certain percent of the cooperative's volume of business or membership equities, (3) ban corporate representation on cooperative boards of directors, or (4) limit corporate membership to a certain percent of the cooperative's volume of business or membership equities and ban corporate representation on cooperatives' boards of directors.

Agency Comments/Action

In April 1980, USDA said that it was proceeding with plans to establish a formal enforcement and monitoring system and had started a national educational campaign on equity redemption programs for cooperatives. It has also described procedures that will be followed before additional field offices are established. USDA also indicated that it was taking action to provide more precise definitions of exempt and nonexempt cooperative activities, which would assist in clarifying what is in excess and, thus, possibly monopolization or restraint of trade. It said, however, that it would not develop and include specific conduct principles as terms and conditions in marketing orders because, as the Federal Trade Commission and the Department of Justice had pointed out, the illegality of specific practices depends on competitive conditions of the market. Because marketing orders have a great influence on competitive conditions, GAO believes that specifically mentioning in the marketing orders the practices that are prohibited would serve as a reminder to the cooperatives and give them more specific notice of practices that could incur legal action. This could discourage cooperatives from engaging in such practices and would provide a more effective basis for taking administrative or legal action should such practices occur. Moreover, a comprehensive set of conduct principles jointly developed by the three oversight agencies should help to clarify the now-confusing Federal policy regarding cooperatives and thereby allow cooperatives to serve family farmers better.

Appropriations

Salaries and expenses - Department of Agriculture, Agricultural Cooperatives Service

Appropriations Committee Issues

The Committees should require USDA to fully justify the need for any additional funds that may be requested for establishing the enforcement and monitoring system, conducting a national educational campaign on equity redemption programs, or setting up additional field offices. It should also ascertain the status of USDA efforts to develop more precise definitions of exempt and nonexempt practices and what methods USDA plans to use to provide such information to the cooperatives.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

The Department of Agriculture Should Be Authorized To Charge for Cotton Classing and Tobacco Grading Services

(CED-77-105, 8-2-77)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). United States Grain Act (7 U.S.C. 71 et seq.). United States Cotton Futures Act (7 U.S.C. 15b). United States Cotton Standards Act (7 U.S.C. 471-476). Federal Property and Administrative Services Act of 1949. Tobacco Inspection Act. United States Grain Standards Act of 1976. Smith-Doxey Amendment. Cotton Statistics and Estimates Act. P.L. 94-582. 90 Stat. 2867. 7 U.S.C. 51.

The provision of free cotton classing and tobacco grading to producers is inconsistent with the Government's policy of charging fees for special services and with the practice of charging for grading other commodities.

Findings/Conclusions: Most agricultural commodities, other than cotton and tobacco, are graded by the Department of Agriculture on a reimbursable basis. In fiscal year 1976, the Department spent $66.2 million grading commodities. Of this, $48.5 million was recovered primarily through charges to those using the services. Of the $17.7 million not recovered, $11.2 million represented cotton classing and tobacco grading services provided without charge to producers. The original reasons for providing free tobacco grading and cotton classing services are no longer applicable. Cotton classing and tobacco grading do provide special benefits to the producers because the producers are now paid on the basis of grades assigned to the commodities.

Recommendations: Congress should amend the Cotton Statistics and Estimates Act and the Tobacco Inspection Act to authorize the Secretary of Agriculture to charge producers for cotton classing and tobacco grading services furnished by the Department.

Agency Comments/Action

The Department of Agriculture had not taken a position on the recommendation at the time of the report. However, in hearings before the Senate Appropriations Subcommittee on fiscal year 1979 appropriations, the Department said it had some reservations about charging users for cotton classing and tobacco grading services. As of October 1979, the Department was not planning any action to establish user fees for cotton classing and tobacco grading services.

Appropriations

Marketing services - Department of Agriclture, Agricultural Marketing Service

Appropriations Committee Issues

Continued Federal funding of cotton classing and tobacco grading services is inconsistent with the Government's general policy of charging fees for special services and with the Department's practice of charging for grading other commodities.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Agriculture's Set-Aside Programs Should Be Improved

(CED-80-9, 1-11-80)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913 et seq.). Agricultural Act of 1970 (84 Stat. 1358). Agriculture and Consumer Protection Act of 1973 (87 Stat. 221).

The Department of Agriculture's Agricultural Stabilization and Conservation Service's (ASCS) wheat and feed grain set-aside programs are intended to reduce expected surpluses of particular crops. In return for taking acreage out of production, producers are eligible for commodity loans and purchases as well as deficiency, disaster, and diversion payments. A review of producer compliance with the programs' requirements identified certain areas in which the effectiveness of the programs could be improved.

Findings/Conclusions: Most producers in the counties reviewed complied with the set-aside requirements. However, some were allowed to receive program benefits without fulfilling these requirements. County ASCS officials and local, farmer elected, county committees were responsible for determining compliance. To participate in the programs, producers certified their planted and set-aside acres. County ASCS officials were responsible for determining the accuracy of the certifications. Producers who certified their acreage inaccurately could be denied participation in the program, or if they had acted in good faith, assessed a monetary penalty. The programs were implemented in a short time and when staffing at the county offices was low. Criteria for good faith determinations were vague. As a result, the committees generally found that producers had acted in good faith even when the reasons given did not justify allowing them to remain in the programs. Monetary penalties were not always applied when they should have been, were not applied consistently, and were costly to administer. A stricter certification and compliance program was needed to ensure compliance, simplify program administration, and reduce county office workload. Land to be set-aside should have been part of a farm's normal crop acreage. However, GAO found several cases where the acreages did not represent the farm's normal plantings, were established contrary to instructions, or were otherwise questionable. In most of these cases, the acreages were overstated, thereby reducing the set-aside programs' effectiveness.

Recommendations: The Secretary of the Department of Agriculture should direct the ASCS Administrator to establish a strict compliance program under which producers who incorrectly certify their acreages would be denied program participation unless they are granted relief through a State and/or national appeal process, and specifically define the circumstances in which relief would be granted. This would take the place of good faith determinations and monetary penalties. In addition, the Administrator should: revise procedures to require that the adequacy of set-aside covers be documented both at the time of certification and at the time of farm inspection and that followup visits to correct any identified problems be made and documented; revise procedures to increase the number of visits made to farms having small grains as cover on set-aside acres to ensure that the cover crop is clipped prior to seed formation; and have county offices use aerial observation to assist in determining compliance where feasible and cost effective, but limit wheat and feed grain determinations, for the most part, to a random sample of farms plus other required checks. The Secretary should require the Administrator to reestablish normal crop acreages for all wheat and feed grain farms based on recent planting histories, such as those for 1977, 1978, and 1979, and ensure that all changes to established normal crop acreages are properly supported and documented and obtain annual planting data on all farms using producer certifications.

Agency Comments/Action

In its March 14, 1980, statement of actions taken on the recommendations, Agriculture said it would keep the existing compliance systems of good faith determinations and monetary penalties, but would make some rule changes effective with the 1980 programs. These rule changes were as follows: (1) county offices will accept farm operators' reports of acreage for all farms; (2) quality control of crop acreage certifications will be accomplished through a random selection method with the use of aerial observation unless ground measurement will prove more cost effective; and (3) county committees will select and check no less than 5 percent of those farms reporting small grain cover on set-aside acreage, and ASCS employees who visit any farm for inspection or measurement will also verify set-aside cover and its use and general condition and properly document the acreage report. Agriculture disagreed with the recommendation that it establish normal crop acreages for all farms on the basis of recent planting histories. According to Agriculture, a recent analysis of normal crop acreages showed that the total acreage for all farms was reasonable even though there were problems with some individual farm adjustments. It said that State ASCS representatives had been directed to review normal crop acreages in 114 counties in 27 States and take corrective action where necessary.

Appropriations

Salaries and expenses - Department of Agriculture, Agricultural Stabilization and Conservation Service
Commodity Credit Corporation Fund - Department of Agriculture, Commodity Credit Corporation

Appropriations Committee Issues

Implementing GAO recommendations would help reduce budget outlays in years when set-aside programs are in effect by making sure that only those producers who take the required amounts of normally cropped acreage out of production and who meet other program requirements remain eligible for program benefits.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Alternatives To Reduce Dairy Surpluses

(CED-80-88, 7-21-80)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Agricultural Act of 1949 (7 U.S.C. 1421 et seq.). Agricultural Adjustment Act (7 U.S.C. 624). Agriculture and Consumer Protection Act of 1973. Agricultural Marketing Agreement Act of 1937. (P.L. 96-127; 93 Stat. 981). 7 U.S.C. 1441a.

Federal dairy policies and programs are designed to assure an adequate milk supply, but the U.S. dairy industry has continually produced more milk than can be marketed commercially at established market prices. The surplus is purchased by the Government in the form of dairy products such as cheese and butter. The dairy price support program uses parity price as the standard for determining the support level and is considered to be the principal cause of surpluses. Its object is to set a support price that will (1) assure an adequate supply of milk to meet current needs, (2) reflect changes in production costs, and (3) assure a level of farm income adequate to maintain productive capacity sufficient to meet anticipated future needs. A study was made to evaluate the strengths and weaknesses of existing Federal programs and the consequences of possible new programs for controlling or minimizing surpluses.

Findings/Conclusions: Most of the rapid increase in the milk support price has resulted from the formula for computing the parity price for milk. The formula does not adequately consider many economic factors affecting milk market conditions and includes some factors which have little to do with milk production. Alternative milk-pricing standards that could help solve or reduce the surplus problem and more effectively and equitably accomplish program objectives include: a dairy parity price standard; a cost-of-production standard; and a standard based on a comprehensive formula that systematically and simultaneously considers changes in cost of production, milk product stocks, and demand. A dairy parity price standard would more closely reflect changes in factors affecting prices of dairy inputs, but would not reflect productivity increases or supply and demand factors. A cost-of-production standard would reflect the costs of producing milk and productivity increases, but would not consider supply and demand factors. A standard could be developed that would use a comprehensive formula to relate the price of milk to factors affecting supply and demand. GAO believes that such a formula could eventually be used to adjust the dairy price-support level. Since research needs to be done before this approach could be used, the basis for setting the support price could be changed to either a dairy parity price standard or a cost-of-production standard. GAO believes that the dairy parity price standard would be the least disruptive to the industry.

Recommendations: If so authorized by Congress, the Secretary of Agriculture, in conjunction with producer and consumer groups and with input from Congress, should: perform research to select factors and assign weights needed to develop a comprehensive formula that will balance the interests of producers, consumers, and taxpayers and then if appropriate, implement the formula; identify the dairy input factors and weights needed to base the support price on 100 percent of the dairy parity price, using a base period comparable with other national indexes; and establish trigger levels, based on a 12-month moving total of Commodity Credit Corporation net removals of dairy products, needed to adjust the support price. Legislation should be enacted directing the Secretary of Agriculture to perform necessary research to develop and, if appropriate, implement a comprehensive formula designed to simultaneously consider changes in milk production costs, milk product stocks, and demand, and authorizing the Secretary, until such a comprehensive formula can be developed and implemented, to (1) base the milk support price on 100 percent of the dairy parity price using a base period comparable with other national indexes, and (2) adjust the price-support level when Government purchases of dairy products exceed specified levels. Congress should establish a Federal nationwide milk producer promotion program and set the contribution rate as a percentage of sales. Also, if Congress, after considering these recommendations, decides to retain promotion programs under current Federal milk-marketing orders, it should amend the Agricultural Marketing Agreement Act of 1937 to eliminate the refund provision in Federal orders, make mandatory promotion provisions a part of all Federal orders, and set the contribution rate as a percentage of sales.

Agency Comments/Action

The Department said that the report is most timely because there is a consensus that the milk support-price program is not performing as it should, as evidenced by this year's heavy price-support purchases and excessive Government costs. It also said that the report should make an important contribution to the ongoing discussion of dairy policy. It did not take a specific position on the recommendations to improve the present price-support standard or any of the alternative milk-pricing standards. It disagreed, however, with the recommendations to either establish a Federal nationwide producer promotion program or improve the promotion programs under current Federal milk-marketing orders.

Appropriations

Commodity Credit Corporation fund - Department of Agriculture

Appropriations Committee Issues

The milk support-price has almost doubled in the past 6 years. Most of the increase resulted from the formula for computing the parity price for milk. This formula does not adequately consider many economic factors, such as costs of production and productivity, but includes some factors, such as family housing and clothing costs, which have little to do with milk production. Alternative standards for establishing milk-price support levels need to be considered which would help reduce surpluses and help balance producer, consumer, and taxpayer interests.

DEPARTMENT OF AGRICULTURE

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Problems Plagued Department of Agriculture's Grasshopper Control Program in 1979

(CED-80-95, 8-11-80)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: 7 U.S.C. 147a. 7 U.S.C. 148.

The Department of Agriculture's Animal and Plant Health Inspection Service (APHIS) did not adequately manage the program to control grasshoppers in 17 Western States in 1979. Efforts by Federal and State officials and local participants were not sufficiently coordinated. Management weaknesses reduced the ability of the local project managers of APHIS to effectively identify areas to be sprayed to control grasshoppers, schedule spraying operations at the best times, and evaluate the effectiveness of the spraying. Although grasshoppers cause economic losses in the United States each year, the 1979 infestation reached levels unprecedented since the 1930s.

Findings/Conclusions: APHIS has initiated some actions to improve program management and has plans for others. These actions include: (1) developing uniform rules, information, and guidelines for nationwide use in administering and explaining the programs: (2) clarifying the responsibilities of all participants; (3) developing and conducting an annual training program for key personnel; (4) establishing a strike force of trained personnel: (5) evaluating the extent to which program benefits exceed costs: (6) establishing entrance and withdrawal deadlines for participation; and (7) encouraging the use of the best types and sizes of aircraft for each project's size and terrain. GAO believes these corrective actions will help prevent future programs from having the many problems experienced in 1979.

Recommendations: The Secretary of Agriculture should direct the APHIS Administrator to: (1) prepare a cost/benefit analysis of including cropland in the Grasshopper Control Program; (2) study the pros and cons of making participation of landowners in infested areas mandatory, including an assessment of the problems that would be encountered in implementing a mandatory program; and (3) provide the results of both studies, together with any recommended changes, to the appropriate legislative committees.

Agency Comments/Action

The Department said that for a number of reasons the Grasshopper Control Program should not be expanded to include cropland and the Department should not require program participation. GAO did not recommend that these actions be taken but that the issues be studied and the results of the studies, including any recommendations, be provided to Congress.

Appropriations

Department of Agriculture. Animal and Plant Health Inspection Service

Appropriations Committee Issues

The Committees should inquire into the Department's progress toward improving the management and effectiveness of the grasshopper control program.

DEPARTMENT OF AGRICULTURE

ECONOMICS AND STATISTICS SERVICE

Corrective Action, Reported by Department of Agriculture on a Factor Involving Federal Rice Deficiency Payments, Has Not Been Implemented

(CED-80-48, 1-29-80)

Budget Function: Agriculture: Farm Income Stabilization (0351)
Legislative Authority: Agricultural Act of 1949 (7 U.S.C. 1441). Rice Production Act of 1975 (P.L. 94-214; 90 Stat. 181). Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 940).

On June 25, 1979, GAO reported to Congress that the Economics, Statistics, and Cooperatives Service, which is the statistics agency of the Department of Agriculture (USDA), disagreed with a GAO proposal that it include in its computation of the national average market price of rice a factor to recognize the drying costs involved when farmers deliver green (high moisture) rice rather than dry rice to a rice miller. Omission of this factor caused deficiency payments to farmers to be about $10.6 million more than they otherwise should have been for the 1976 rice crop and $5 million more for the 1978 crop.

Findings/Conclusions: In an August 14, 1979, statement to congressional committees on action taken on the GAO proposal, USDA said it had taken action to provide for a common basis for reporting quantity and price data on green and dry rice. However, further inquiries showed that while USDA made a slight procedural change to obtain quantity data on a common basis, it had not changed the way amounts paid for green rice are reported. Because the average market price is a key factor in determining whether and how much rice farmers will receive in Federal deficiency payments, the manner in which the average price is computed is economically important to taxpayers as well as farmers.

Recommendations: Congress should amend the Agricultural Act of 1949 to provide that the quantities and amounts paid on rice purchases reported by millers be compiled on a common basis in computing the national average market price.

Appropriations

Salaries and expenses - Department of Agriculture, Economics and Statistics Service

Appropriations Committee Issues

The Congress may have been misled by the USDA August 14, 1979, statement that action had been taken to provide for a common basis for reporting quantity and price data on green and dry rice. The Committees should inquire into the USDA reluctance to change the manner in which the average price of rice is computed so that the amounts paid for green rice will be comparable and equitable with the amounts paid for dry rice.

DEPARTMENT OF AGRICULTURE

ECONOMICS AND STATISTICS SERVICE

Preserving America's Farmland--A Goal the Federal Government Should Support

(CED-79-109, 9-20-79)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913). National Environmental Policy Act of 1969 (42 U.S.C. 4321). National Housing Act (12 U.S.C. 1701). Rural Development Act of 1972 (7 U.S.C. 1010a). Soil and Water Resources Conservation Act of 1977 (P.L. 95-192; 91 Stat. 1407). Surface Mining Control and Reclamation Act of 1977 (P.L. 95-87; 91 Stat. 445).

Farmland is essential to the Nation's abundant agricultural production which has not only fed U.S. citizens well, but has been a positive contributor to the balance of payments and to humanitarian commitments to developing countries. In 1975 about 338 million acres of all rural land, including 221 million acres of cropland, were in the Department of Agriculture's (USDA) top two land capability classes. Land losses for urbanization and other nonfarming purposes, estimated at 3 to 5 million acres a year, coupled with the leveling off of agricultural productivity, pose serious questions about the Nation's ability to maintain its role as an economical food producer and exporter. Since the 1973-74 grain purchases by the Soviet Union which eliminated surpluses and sharply increased commodity prices, there has been a growing concern about the loss of farmland. Opinions vary, however, on how much farmland is being lost, its impact on the Nation's future, and what role the Federal Government should play to protect it. Emerging evidence suggests that technology may not continue to increase productivity at past levels and compensate for the loss of prime and other farmland. Governmental control of land use traditionally rests with State and local governments, and over the years some have adopted or considered various approaches to curtail farmland conversions, such as preferential tax assessments, zoning, variable capital gains taxes, and sales and transfers of development rights. The Federal Government's role in retaining farmland is still evolving and Congress has recognized the importance of prime farmland, but has not yet enacted a policy which is comprehensive. Some bills, introduced in Congress but not enacted, would have established a national farmland policy and described Federal responsibilities in advancing that policy, including Federal support for State and local farmland preservation efforts.

Findings/Conclusions: Replacement or expansion of land in the farmland base involves significant tradeoffs and limitations on water, energy, environment, and cost. The proportion of agricultural production dependent on energy- and cost-intensive irrigation systems is rapidly increasing. Preserving farmland has been given little consideration or low priority and has usually been outweighed by other interests in Federal projects. Furthermore, Federal or federally assisted projects often result in the direct and/or indirect taking of prime and other farmland. One problem may be the conflict between the information regarding the importance of preserving prime farmland which is furnished to agencies, and USDA publications which cite large potential cropland reserves and production capabilities. State and local methods to preserve the land have had limited impact on its loss, and none of the methods used are likely to insure that land will be kept in agricultural production. There is insufficient data and a lack of uniform criteria to help Federal agencies evaluate the impact of losing farmland and to balance this loss against other national interests, including food production and food prices. A widely publicized national policy identifying the national interest in and goals for protecting and retaining farmland could (1) guide and support land-use planning and decisions by the Federal, State, and local governments, (2) encourage intergovernmental coordination and cooperation in managing the land, and (3) promote public investment patterns that will minimize adverse impacts on farmland.

Recommendations: The Secretary of Agriculture should (1) develop additional data on, and make analyses of, the significance of losing prime and other farmland, (2) insure, through periodic reviews, that all USDA agencies evaluate the loss of prime and other farmland in their project approval processes in consonance with the Secretary's October 1978 land-use policy statement, and (3) require that additional analyses be made of the USDA potential cropland estimates in terms of how much land is likely to be converted considering current land use, production tradeoffs, development problems and costs, and other economic values, such as changes in the relationship of production and development costs to commodity prices. The results of these analyses should be published. The Secretary of Agriculture and the Chairman of the Council on Environmental Quality should undertake a joint effort to develop criteria to guide Federal departments and agencies in determining and evaluating the impact of their proposed projects and actions that affect prime and other farmland losses with other national interests. The Chairman of the Council on Environmental Quality should instruct Federal departments and agencies to include in their environmental impact statements and other environmental review documents a discussion of their analyses relating to the criteria recommended above. The Congress should (1) formulate a national policy on protecting and retaining farmland, (2) set a national goal as to the amount and class of farmland that should be preserved, (3) periodically assess the impact of farmland losses on the established goal, and (4) delineate the Federal Government's role in guiding and helping State and local efforts to retain farmland. If the Congress decides to provide Federal support to States and political subdivisions to carry out farmland preservation programs, it should specifically set out the criteria which such programs have to meet. These criteria should provide, among other things, that agricultural areas be geographically defined and preferably correspond to areas that contain the most prime farmland, and that agricultural use and prime farmland be clearly and specifically defined.

Agency Comments/Action

Agriculture said that the report clearly identified the need for actions by all levels of government and that it agreed with GAO's recommendations, shared GAO's view on the need for more detailed analysis of land potentially available for crop production, and was joining with the Council on Environmental Quality in the leadership of an interagency study of agricultural lands. The National Agricultural Lands Study was initiated on June 14, 1979. The final report on the study is to be completed by January 1, 1981. The study will, among other things, evaluate the role of Federal agencies in agricultural land conversion, assess State and local government efforts to retain agricultural lands, and identify ways in which these efforts could be made more effective. Federal agencies whose programs and actions affect agricultural land are represented on the study's interagency coordinating committee.

Appropriations

Soil operations - Department of Agriculture, Soil Conservation Service
Salaries and expenses - Department of Agriculture, Economics and Statistics Service

Appropriations Committee Issues

Before Federal assistance is provided for preserving America's farmland, the Congress needs to establish a national policy, goals, and monitoring system, and determine the Federal role in supporting preservation efforts. Then, before any Federal support is given, State and local preservation programs should include criteria (1) defining agriculture use and prime farmland, and (2) establishing certain minimal requirements as discussed in GAO's report.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Farmers Home Administration: Emergency Loan Processing Procedures in Stanislaus County, California

(CED-80-64, 3-3-80)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453)
Legislative Authority: H. Rept. 94-211.

The Farmers Home Administration (FmHA) Emergency Loan Program is administered by FmHA county offices located throughout the United States. The program's basic objective is to provide financial assistance to farmers after they have sustained severe losses as a result of a disaster. An audit of the FmHA Emergency Loan Program was undertaken to determine whether the loan processing regulations governing the awarding of loans under the program contain deficiencies which permit abuses or inappropriate use of taxpayers' dollars. The audit was limited to loans made by the FmHA Office in Stanislaus County, CA. All emergency loan applications received at the Stanislaus County office in fiscal year 1979 were reviewed, and the procedures for loan processing were discussed with the FmHA County Supervisor and FmHA officials at the State and national offices.

Findings/Conclusions: The Stanislaus County FmHA office processed emergency loan applications in a consistent manner and without giving preference to any applicant. However, certain loan processing procedures need to be strengthened to ensure that the amount loaned accurately reflects the amount of the loss resulting from the disaster. Problems which exist at the Stanislaus County FmHA office are: (1) emergency major adjustment loans do not always reflect just the funds needed to recover from the damage caused by the disaster as amounts are often included which help alleviate problems that existed prior to the disaster; (2) procedures for calculating normal year crop production reward the less efficient farmers by permitting them to use county average figures to achieve a higher percentage loss even when available data show the farmer has not in the past achieved the county averages; (3) applicants are not required to provide documented support for the claimed amount of disaster year crop loss, and (4) incomplete information on the financial status of an applicant can result in the FmHA spending a great deal of additional time processing an application.

Recommendations: The Secretary of Agriculture should direct the FmHA Administrator to inform County Supervisors that emergency major adjustment loans are to be limited to the amounts needed to overcome difficulties caused by the declared disaster and that adequate information should be obtained to support loan applications.

Agency Comments/Action

The agency had not responded as of June 26, 1980.

Appropriations

Emergency loans - Department of Agriculture, Farmers Home Administration, Emergency Loan Division

Appropriations Committee Issues

The Committees should consider whether FmHA should be permitted to continue making emergency loans for accounts in excess of the damage caused by the disaster, that is, to resolve problems that existed prior to the disaster.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Farmers Home Administration's ADP Development Project--Current Status and Unresolved Problems

(CED-80-67, 2-19-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Consolidated Farm and Rural Development Act (7 U.S.C. 1921). Housing Act of 1949 (42 U.S.C. 1471). GSA Circular 101-35. OMB Circular A-76. OMB Circular A-109.

The Farmers Home Administration's (FmHA) computer-based systems project, the Unified Management Information System (UMIS), was reviewed. In 1974, FmHA began developing UMIS to provide better management information at all levels within the agency in an effort to improve service to rural Americans seeking financial assistance.

Findings/Conclusions: FmHA has not properly designed, documented, or managed the project. As a result: (1) the projected implementation date of the system will be at least 5 years later than planned, (2) the estimated total cost to develop UMIS as designed may reach $42 million, (3) total development costs for any alternative to UMIS may range from $27.5 million to $42 million, (4) the operational costs of UMIS as designed will be exorbitant, and (5) the system may not meet the basic needs for which it is being developed. GAO has determined that UMIS is not viable as currently designed and managed. Furthermore, since FmHA has not adequately studied and defined its information needs, there is no assurance that if UMIS or an alternative becomes operational it will provide needed information or be cost-effective. This lack of information requirements has also made it difficult to identify all possible alternatives. Most UMIS delays, cost increases, and capability shortfalls resulted because FmHA did not (1) assign a project manager who would be dedicated to the project on a full-time basis, (2) prepare a comprehensive system development plan identifying milestones and critical decision points, and (3) use standard ADP project control measures such as cost accounting and budget preparation procedures. Because any alternative selected to replace UMIS will be a major software development project similar in scope to UMIS, FmHA must address the project management issues of effectively planning, managing, and controlling a complex ADP development project.

Recommendations: The Secretary of Agriculture should direct FmHA to: redefine information requirements to meet agency (user) needs and express them in terms which are more specific and quantifiable to establish performance criteria for evaluating UMIS alternatives; obtain from the Office of the Secretary of Agriculture approval of the FmHA information requirements study prior to continuing or beginning any new development effort; submit the study to appropriate congressional oversight committees; reevaluate UMIS if new information is uncovered by the Department of Agriculture Task Force; identify all alternatives to UMIS based on a complete functional requirements study and prepare a documented analysis of alternatives and a cost benefit study; develop the most cost effective alternative to meeting FmHA needs based on the above studies and the technical Task Force report; develop and implement standard project control techniques such as, establishing documentation standards, holding documentation reviews, establishing firm software test procedures, and improving System Change Request controls; intensify its efforts in installing PAC II (a computerized project control mechanism for developing software) which is necessary to monitor progress of a development project, to identify and analyze schedule and cost variances, and to better plan the use of resources; install a cost accounting system, as part of a project control mechanism, to account for all costs incurred during the system design, development, and operational life cycle with total life cycle cost estimates being updated on a regular basis; assign a full-time project manager to the project development team; strengthen its ADP steering committee, increase top management involvement in the project, and provide for management continuity; and establish a budget for major software development projects to cover the development and operation phases, and note such projects as a separate line item in FmHA's budget justification.

Agency Comments/Action

The Department of Agriculture concurred with all recommendations and will take corrective action.

Appropriations

Administrative operations (ADP) - Department of Agriculture, Farmers Home Administration

Appropriations Committee Issues

Management and technical deficiencies in the management and development of the FmHA unified Management Information System warrant a critical budget review by the Appropriations Committees.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

The Farmers Home Administration's Economic Emergency Loan Program Could Be More Effective

(CED-80-84, 3-28-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Emergency Agricultural Credit Adjustment Act of 1978.

The economic emergency loan program was authorized by the Emergency Agricultural Credit Act. A review of the loan files in 10 States indicated that the main purpose of the loans was to increase the borrowers' current cash flow and assist with current operations. Loan proceeds did accomplish these purposes but it was too soon to tell if the temporary loan program should be continued.

Findings/Conclusions: Indications were that the delinquency rate on this program may be a problem and that only a small percentage of the loans were guaranteed. Discussions with Farmers Home Administration (FmHA) officials and bankers in a wide range of communities indicated that banks are referring borrowers for insured loans, since the banks generally prefer to handle short-term farm operating loans or consumer type loans at higher rates and shorter terms than those used in the guaranteed loan program. Information obtained in the review indicated that economic emergency loans were made because regular farm ownership or operating loans were limited or not available, or the loan amount exceeded the maximum limits for individual loans under regular loan programs. In some cases, economic emergency loans refinanced very recent land purchases because of limited farm ownership monies. Much of the economic emergency loan proceeds were used to refinance existing indebtedness on other loans, such as bank loans and Federal Government loans.

Recommendations: The Secretary of Agriculture should direct the Administrator, FmHA, to (1) keep apprised of delinquency rates and graduations to private credit since there were indications of a potential delinquency problem, (2) emphasize more bank participation in guaranteed loans, (3) explore whether the economic emergency loan program should continue to be, in effect, a supplement of the existing farm ownership and operating loan programs or whether raising the limits on those programs or having one combined program to cover the purposes of the present farmer loan programs would better meet the farmers' needs, (4) seek guidance from the congressional legislative committees on how long land should be held before it can be refinanced under this program, and (5) tighten agency regulations on credit elsewhere to bring them in line with the requirements of the farm ownership and operating loan programs. The economic emergency loan program should be reexamined by FmHA within a year, with particular attention given to the effects on farmers' payback ability and overall financial situation, so that controls and guides may be established for future use to ensure that those who have the basic financial foundation can succeed.

Agency Comments/Action

Revised regulations for insured loans were effective June 2, 1980. Plans are being made for a comprehensive study of the operation and effectiveness of loans made under the program, with a report due to Congress by March 31, 1981. The study recommended by GAO and mandated by Congress will consider whether the program should continue to supplement, in effect, the farm ownership and operating loan programs.

Appropriations

Emergency loans - Department of Agriculture, Farmers Home Administration, Emergency Loan Division

Appropriations Committee Issues

The Farmers Home Administration is mandated by Sec. 212 of P.L. 96-220 to reexamine the economic emergency loan program for farmers and report to the Congress the study results by March 31, 1981. The report is to cover the operation and effectiveness of loans made under the program and any recommendations by the Secretary of Agriculture for extending this lending authority beyond September 30, 1981, or merging or combining this program with the regular farm operating and ownership programs, which this program appeared to be supplementing at the time of the GAO review.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Shall Full Funding Be Applied to the Rental Assistance and Family Planning Programs?

(PAD-80-16, 2-12-80)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (0371)
Legislative Authority: Housing Act of 1949.

A Federal program is considered to be a fully funded program if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year. Full funding has been traditionally associated with major procurement and construction activities. However, GAO believes it has potential for application to subsidy and social programs and some research and development. At the request of the House Budget Process Task Force, GAO did a review of further implementation of full funding which included case studies of two programs with full funding potential.

Findings/Conclusions: The main problem with the current method of funding the Farmers Home Administration's Rental Assistance Program was inadequate disclosure of funding requirements. The requirement to make appropriations in the future for commitments entered in the past was not clear in the budget information presented to Congress. Because of this, Congress had little control over future appropriations of budget authority. Full funding would improve disclosure of the program's total funding requirements and increase the Congress' control over appropriations of budget authority by allowing the Congress to act on the full program level and cost at a time when it has some discretion to make changes, rather than on a piecemeal basis. Congress would see the total funding requirement before the commitment was made and would not have to provide future budget authority for the same budget year program. The disadvantages of full funding included a possible increase of unobligated balances which would have to be monitored. GAO felt that the disadvantages would be minimal. Full funding the Family Planning Program would affect Congress in several ways. However, the effect would be minimal on disclosure of total costs and future control of spending, the two usual advantages of full funding. In addition, some of the current annual program control by Congress would be lost. Therefore, GAO did not believe that Family Planning was a prime candidate for full funding.

Recommendations: The Secretary of Agriculture should ask Congress to draft legislation to establish a fully funded separate general fund appropriation account to fund the Rental Assistance Program.

Agency Comments/Action

The Department of Agriculture responded to Congress that it felt the rental assistance program was fully funded since borrowing authority backed the total obligations entered. At the request of the Senate Appropriations Subcommittee on Agriculture and Related Agencies, GAO provided proposed language to legislation to bring about the recommended change in funding.

Appropriations

Housing programs - Department of Agriculture, Farmers Home Administration

Appropriations Committee Issues

The Committees should consider the issues raised in this report.

DEPARTMENT OF AGRICULTURE

FEDERAL GRAIN INSPECTION SERVICE

Federal Export Grain Inspection and Weighing Programs: Improvements Can Make Them More Effective and Less Costly

(CED-80-15, 11-30-79)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Agricultural Marketing Act (7 U.S.C. 1621 et seq.). Grain Standards Act (7 U.S.C. 71-87(h)).

An evaluation was made of the official inspection and weighing systems for U.S. grain being exported to foreign buyers as they are implemented at U.S. export locations. The systems are required by the Grain Standards Act of 1976 and are administered by the Federal Grain Inspection Service (FGIS).

Findings/Conclusions: Foreign buyers perceived some improvements in the quality and weights of U.S. grain shipments since the act was passed. However, further improvements in the inspection and weighing programs are needed. The factors causing quality problems included: (1) the proportions of grain tested were not standardized and the standards allowed the presence of some insects, (2) inspection procedures did not assure that all grain in a shipment was within grade requirements, (3) actual amounts of dockage were in excess of the certified amounts due to rounding procedures, and (4) grain standards are too lenient. While the act requires that all grain transferred into and out of an export elevator be officially weighed, grain companies oppose paying for the high cost of inbound weight supervision, particularly when the elevator already owns the arriving grain. GAO felt that weight supervision for truck and rail shipments could be reduced, with reasonable control over the accuracy of the weights being maintained. Many instances were noted where personnel were not performing their duties properly, and many deficiencies in the program can be attributed to the lack of proper training. The Department of Agriculture's formal complaint system is inadequate and a program which would provide systematic feedback of destination quality and weight data is needed for improved monitoring of shipments.

Recommendations: The Secretary of Agriculture should direct the Administrators of FGIS and the Foreign Agricultural Service to: establish procedures to standardize the proportion of grain tested for infestation and require that all infested grain be certified as such or fumigated; revise shiploading instructions to prohibit the loading of offgrade grain in a shipment for multiple buyers; prohibit combining samples unless the grain represented is mixed properly during loading; develop dockage certification instructions to assure uniform shipment quality and revise the grain standards to require that dockage grading be certified to the nearest one-tenth of a percent; modify the grain inspection monitoring system to define and maintain an adequate level of inspector monitoring and develop a monitoring system to better serve field officials; require that inspection certificates issued in Canada be annotated, similar to those issued in the United States, when samples are obtained by means other than a diverter-type sampler; develop and implement procedures and instructions for those weight monitoring activities not covered adequately by current FGIS instructions, and for supervising weight monitoring performed by FGIS personnel and delegated State agencies at export locations; require that personnel be adequately trained before they are assigned weight monitoring duties and strengthen the program for developing supervisors; revise inspection procedures to require that protein content be computed and reported on a standard moisture basis; use existing export monitoring programs to monitor the efforts of the U.S. grain trade to improve the quality of exports of grain and grain products not covered by the act, and if problems affecting U.S. foreign markets are found, FGIS should develop a voluntary inspection program for grain products and inform buyers that such a service is available and/or develop a legislative proposal to make rice exports subject to inspection and weighing requirements of the act; give priority attention to further developing the system for collecting and analyzing quality and weight data obtained from foreign buyers with FGIS working with foreign buyers to improve their sampling techniques and grain analysis capabilities; develop a program for contacting major end-users on their views as to the quality of U.S. grain; and continue to revise the U.S. grain standards to better meet end-user requirements. The Secretary should direct FGIS to research the need for restricting certain blending practices. The Congress should amend the Grain Standards Act to provide the FGIS Administrator with the authority to reduce the amount of weight monitoring required on truck and rail shipments arriving at export elevators. This could be accomplished by amending section 5(a)(2) of the United States Grain Standards Act (7 U.S.C. 87(a)(2)) to read as follows: "except as the Administrator may provide in emergency or other circumstances which would not impair the objectives of this Act, all other grain transferred out of and all grain transferred other than from a truck or railcar into an export elevator at an export port location shall be officially weighed in accordance with such standards or procedures; where grain is delivered to an export elevator at an export location by truck or railcar, the Administrator shall provide for supervision of weighing as defined in section 3(y) of this Act."

Agency Comments/Action

The agencies generally agreed with most of the recommendations and said that they were in the process of implementing some of them. FGIS differed, however, with the recommendations that: (1) inspection instructions be revised to prohibit the loading of offgrade grain where a shipment is destined for multiple buyers; (2) the act be amended to reduce the requirement for monitoring the weighing of grain transferred into an export elevator; and (3) the program developed to monitor elevator inventories be curtailed.

Appropriations

Salaries and expenses - Department of Agriculture, Federal Grain Inspection Service
Insepection and weighing services - Department of Agriculture, Federal Grain Inspection Service

Appropriations Committee Issues

FGIS costs could be reduced without significantly affecting the quality of its services through more efficient use of staff, greater use of closed-circuit television equipment and automated sample delivery systems, better determinations of both short- and long-range needs before making large equipment purchases, and eliminating or sharply curtailing grain weight monitoring programs.

DEPARTMENT OF AGRICULTURE

FEDERAL GRAIN INSPECTION SERVICE

Grain Inspection and Weighing Systems in the Interior of the United States--An Evaluation
(CED-80-62, 4-14-80)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Grain Standards Act (7 U.S.C. 71).

The Grain Standards Act made a number of substantive changes to improve the interior (nonexport) grain inspection and weighing systems and authorized the Federal Grain Inspection Service (FGIS) to establish an interior grain weight supervision system. Under the existing systems, the Administrator of FGIS designates agencies to provide inspection and weight supervision services, licenses the agencies' inspection and weight supervision personnel, and supervises the agencies' operations. The act also required GAO and the Department of Agriculture (USDA) to study the systems and required GAO to submit a report recommending any changes to the act. Pursuant to that requirement, GAO evaluated the interior grain inspection and weighing systems.

Findings/Conclusions: The overall structures of the existing systems should be retained. However, some additional improvements are needed to strengthen the grain inspection and weighing services and FGIS controls over the services. Following passage of the act, FGIS initiated action to correct improper rounding of grading results and "grade shaving" and insisted on legal arrangements to avoid or lessen the effects of conflicts of interest and thus protect inspection agencies from grain company influence. The principal areas which still need improvement are (1) the establishment and enforcement of clear and definitive standards for quality controls by grain inspection agencies; (2) the elimination of improper sampling, especially by contract samplers; (3) control over grain sampling and grading accuracy; and (4) effective use of sample regrading results to identify and correct grading problems. In addition to the FGIS weighing system, the Association of American Railroads (AAR) operates a grain weighing system. Nearly all weight supervision on domestic rail shipments of grain in the interior are weighed under AAR supervision. Most of the users of the AAR system expressed satisfaction with its operation, and GAO concluded that, although the AAR weight supervision system has some limitations and its service is not always available on all modes of transportation, it serves the interests of the railroads and the grain industry reasonably well. Some improvements were needed, however, in FGIS' grain weight supervision system.

Recommendations: The Secretary of USDA should direct the Administrator of FGIS to (1) consult with the House and Senate Agriculture Committees on the promulgation of regulations specifying the criteria or conditions that must be met before the Administrator would implement mandatory official weighing or supervision of weighing at interior locations where official inspection is provided, and (2) revise the program instructions for partial (Class Y) weight supervision to require that the weighing of at least 25 percent of the conveyances or grain lots covered by Class Y weight supervision certificates be observed each shift of each day that such certificates are to be issued. The Secretary should also direct the Administrator to establish clear and definitive standards for the quality controls that inspection agencies should maintain over their inspection operations and ensure that the agencies comply with them; take prompt action to resolve the legal and other problems related to inspection agencies' use of contract samplers; periodically review FGIS followup procedures for detecting and deterring improper rounding and grade shaving to ensure that they are working properly in making future designations of inspection agencies, carefully consider each agency's past history of compliance with requirements as well as its demonstrated ability to comply with FGIS quality control standards and to provide quality inspection services; develop and furnish guidance to FGIS field offices to ensure uniformity in the content and scoring of inspectors' technical competency examinations; budget specific staff-years for supervision and monitoring of inspection activities and ensure that adequate priority is given to this important function to maintain a minimum level of coverage of each agency's and licensed inspector's work; implement a sample selection methodology that ensures that the samples selected for regrading are representative of the total inspections performed by each licensed inspector; develop criteria and provide guidance for use by FGIS field offices in identifying potential or actual grading problems and ensure that they make effective use of monitoring system data in identifying, investigating, and correcting inspection problems; and develop procedures and guidance for following up or investigating inspection-related problems, establish clear lines of authority for taking action against inspection agencies and licensees to correct problems identified, and develop a system of penalties or sanctions to be imposed against inspection agencies and licensees for violations of the act, regulations, or other requirements, or for substandard performance.

Agency Comments/Action

Except for the recommendation to revise the instructions for partial weight supervision, the Department agreed with the recommendations and outlined the actions FGIS had taken or planned to take. GAO believes its recommendation related to partial weight supervision should also be implemented because it questions the validity and propriety of FGIS allowing designated weight supervision agencies to issue Class Y weight certificates on unit trains or other lots of grain on the basis of weight tickets or scale tickets furnished by the weighing elevator rather than on the basis of appropriate independent observations.

Appropriations

Salaries and expenses and inspection and weighing services - Department of Agriculture, Federal Grain Inspection Service

Appropriations Committee Issues

The Committees should inquire into the status of the Department's actions on the recommendations, particularly the progress toward establishing standards for the quality controls that inspection agencies should maintain over their inspection operations, eliminating improper rounding of grading results and grade showing, and resolving the legal and other problems related to inspection agencies' unauthorized use of contract grain samplers.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Child Care Food Program: Better Management Will Yield Better Nutrition and Fiscal Integrity

(CED-80-91, 6-6-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Child Nutrition Amendments of 1978 (P.L. 95-627; 92 Stat. 3603). 7 C.F.R. 226.10. 7 C.F.R. 226.12(1). 7 C.F.R. 226.7. 7 C.F.R. 226.27. 7 C.F.R. 226.20. 7 C.F.R. 226.22. 7 C.F.R. 226.25. 7 C.F.R. 226.26. 7 C.F.R. 226.6(e).

The Child Care Food Program was established to improve the nutritional levels of the diet of the Nation's children, primarily preschool children. The Food and Nutritional Service's regional offices administer the program when State education agencies or other State agencies are unwilling or unable to do so. Public or private nonprofit organizations manage the program locally. Meals are provided by day care centers or in family or group day care homes. The program has grown significantly since its inception in 1969, and participation is expected to increase. GAO visited 98 sponsors and 115 feeding sites in four States during its study of the program's management.

Findings/Conclusions: GAO felt improved management of the program is essential if substandard meals, unhealthy feeding site conditions, and questionable financial accountability are to be improved. During the GAO study, delivery of services and financial accountability were found unacceptable. The impact of recent legislation providing for the expansion of the program needs assessment. The management of State and regional program offices needs improvement as lack of personnel hampers program administration. Regional oversight must also be improved.

Recommendations: The Secretary of Agriculture should direct the Administrator, Food and Nutrition Service, to eliminate the conditions which prevent program participants from receiving nutritious meals in healthy environs. Specifically, the Secretary should require the Administrator to establish an effective system to monitor feeding site conditions and compliance with Department of Agriculture meal standards. Also, the Secretary should direct the Administrator to determine that the Service's new fiscal guidelines are completed in accordance with sound accounting and auditing principles and other appropriate Federal guidelines, including applicable GAO standards, and that program personnel are trained in their use; develop a system for monitoring the activities of the Service's regional offices and State agencies; and develop effective headquarters information systems to enhance program planning, policy development, and guidance. To provide Congress with some assurance that program expansion is carried out effectively and efficiently, the Secretary should be certain that current and future resources at all levels necessary to assure the nutritional and financial integrity of the Child Care Food Program are identified, an action plan for achieving mandated program expansion is developed, and the results of these efforts are communicated to the appropriate congressional committees. Further, to encourage States to retain responsibility for program management, the Secretary should identify for Congress measures which would support State program management and encourage States that had relinquished program control to resume responsibility. In addition, the Secretary should closely oversee State activities to identify obstacles to sound program management and to provide assistance in overcoming them.

Agency Comments/Action

The Department has proposed legislative and regulatory changes; instituted more comprehensive management evaluation techniques; and developed new publications which focus on program management at the State agency, institution, and facility levels to correct the problems cited in the report.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into the Department's progress in implementing the proposed changes.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Food Stamp Program: Overissued Benefits Not Recovered and Fraud Not Punished
(CED-77-112, 7-18-77)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-113, P.L. 96-58).

The Government is losing over half a billion dollars annually because of overissued food stamp benefits caused by errors, misrepresentation, and suspected fraud by recipients and by errors of local food stamp offices.

Findings/Conclusions: For every $100 of the more than $5 billion annual benefits issued nationally, overissuances account for about $12; only about 12 cents of that $12 have been recovered. The eight local projects reviewed were doing little to identify and recover the value of these overissuances. At five of the eight projects, about half of the dollar value of the claims established for food stamp overissuances was classified as involving suspected fraud by recipients, but very few recipients were prosecuted or otherwise penalized.

Recommendations: Congress should authorize the Secretary of Agriculture to allow the States to keep some portion of the money recovered from recipients of overissued benefits and to increase from 50 to 75 percent the Federal share of the administrative costs associated with processing the suspected fraud cases. Congress should also authorize Agriculture, in consultation with the Department of Justice, to handle most suspected recipient fraud cases administratively rather than referring them for criminal prosecution. The Department of Agriculture should take a number of steps to make sure that States adequately identify and recover overissued food stamp benefits and punish people who engage in food stamp fraud.

Agency Comments/Action

The Congress has enacted legislation to (1) allow States to retain 50 percent of the money recovered from fraudulent overissuances, (2) increase from 50 to not less than 75 percent the Federal share of administrative costs associated with processing suspected fraud cases, (3) allow Agriculture to handle most suspected recipient fraud cases administratively, and (4) bar recipients from the program until they agree to repay the value of fraudulently obtained benefits. The Department has taken some steps to better identify and punish fraud. However, more needs to be done, especially to improve the identification and recovery of overissuances for which fraud cannot be proven.

Appropriations

Food Stamp Program and food program administration - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

Because of the magnitude of food stamp overissuances, the Committees should evaluate the reasonableness of the Department's efforts to recover them, especially those for which fraud cannot be proven.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

How Good Are School Lunches?

(CED-78-22, 2-3-78)

Budget Function: Agriculture (0350)
Legislative Authority: National School Lunch Act (42 U.S.C. 1458).

The National School Lunch Act provides that lunches served by participating schools must meet standards prescribed by the Secretary of Agriculture. The type of lunch required by the Secretary, called the Type A lunch, contains specific quantities of various food types. The goal in requiring Type A lunches is to provide students, over time, with one-third of the recommended dietary allowances of specified nutrients published by the National Academy of Sciences.

Findings/Conclusions: Independent laboratory tests showed that compliance with Type A requirements did not insure the achievement of one-third of recommended dietary allowances. Sample lunches from New York, Cleveland, and Los Angeles were significantly short in as many as 8 of the 13 nutrients tested. Although microbiological tests showed that the lunches were safe to eat, testing and standards used by local authorities varied considerably, and there were no Federal procedures or standards for microbiological testing in the program other than for milk. At least 40 percent of a random sample of lunches served in New York City during a 6-week test period did not comply with Type A requirements. The Department of Agriculture has acknowledged that compliance with Type A requirements is a nationwide problem and plans to make changes in its regulations. The Department should modify the requirements for school lunches beyond the changes recently proposed.

Recommendations: The Department of Agriculture should give consideration to alternative requirements for the school lunch program. It should develop explicit instructions on how and when Federal, State, and local monitoring of compliance is to be performed; check to see that instructions are being followed and determine if Federal requirements are being met; and stop Federal reimbursement in cases where noncompliance with Federal requirements is not promptly corrected. The Department should consider the possibility of publishing uniform standards and procedures for localities conducting microbiological testing in the school lunch program.

Agency Comments/Action

The Food and Nutrition Service has implemented the recommendations concerning promoting nutrition education to reduce plate waste, encouraging State and local authorities to improve school lunch facilities and atmosphere, and encouraging school lunch facilities to use decentralized meal planning to meet the tastes of children from various cultural and ethnic backgrounds. The Service, however, has not implemented the recommendation that it issue specific instructions on how and when school lunches should be tested for compliance with meal pattern requirements.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into the Department's efforts to ensure that meals receiving Federal reimbursement comply with program requirements.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Major Factors Inhibit Expansion of the School Breakfast Program

(CED-80-35, 6-16-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Child Nutrition and School Lunch Act Amendments of 1975 (42 U.S.C. 1773).

The School Breakfast Program has not grown as quickly as Congress anticipated. Expansion has been hampered by: local attitudes toward the program and perceptions of local needs and responsibilities; program costs that exceed maximum Federal reimbursement; low participation, especially among teenagers; operating problems; and insufficient and/or misdirected promotion efforts. Legislation which was proposed requiring schools to provide breakfast programs if 50 percent of their students were eligible for free or reduced-price meals was rejected. Instead, Congress reaffirmed its position that programs should be made available in all schools where needed to provide adequate nutrition to students. Expansion of the program has been impeded by local opinions such as: the contention that a good breakfast is a family, not a school, responsibility; belief that the school's primary function, education, is weakened by the burden of the administration of such auxilliary functions; and the view held by many people that the program is primarily for children of low-income families and is not needed when a small proportion of such children are in a school. Low participation in the program raises questions about the need for the program, and may raise program costs. Present nutritional information systems are not adequate for deciding whether students are nutritionally needy. Financial losses seriously inhibit program growth as do various operational problems concerning bus and class schedules, food preparation and serving facilities, and supervision. The public information program for making the schools and public more aware of the breakfast program has been ineffective.

Findings/Conclusions: A Federal mandate for school breakfast programs would be inappropriate. Although the School Breakfast Program is supposed to be targeted to the nutritionally needy, no data or criteria have been developed to determine which children would be affected. When operating costs are a barrier to growth of the program, the problem is not as readily solvable as some other operating problems. Participation in ongoing breakfast programs is low in most cases, even where sizeable numbers of students are from low-income families. The Federal role should be one of ensuring that parents and school officials are made aware of the program, its goals, and the degree of support the Federal Government offers. It is important to ensure that the local community has a voice in the decision of whether to provide a breakfast program or not. Congress has emphasized the need for better public information about the program, but it is too early to tell if the agency's response will be effective.

Recommendations: The Secretary of Agriculture should require that each school district, as part of its annual survey to determine which students qualify for free or reduced-price meals or through other effective means, determine whether parents are interested in establishing a school breakfast program. The results should be made public and given to the local school governing body to help it in deciding whether to start a breakfast program. Also, the Secretary, in consultation with the Secretary of Health and Human Services, should require that meaningful criteria be established and information gathered on the nutritional status of school children to provide a sounder basis for administering school food programs.

Agency Comments/Action

The Department of Agriculture has proposed legislative changes dealing with measuring parental response for a school breakfast program. Also, a major nationwide study involving 9,000 children in 100 schools is being conducted to measure the effects school feeding programs have on participants' nutritional status. The Department has instituted a new management evaluation system designed to closely monitor management performance as well as effectively monitor the use of Federal funds.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into the progress of the proposed legislative changes, the nationwide nutritional status study, and the new management evaluation sytem.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Special Supplemental Food Program for Women, Infants, and Children (WIC)--How Can It Work Better?

(CED-79-55, 2-27-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Child Nutrition Act of 1966 (42 U.S.C. 1786). Child Nutrition Amendments of 1978 (P.L. 95-627); 92 Stat. 3606). Medicare-Medicaid Anti-Fraud and Abuse Amendments (42 U.S.C 1305).

A followup review of the Special Supplemental Food Program for Women, Infants, and Children (WIC), Department of Agriculture, was conducted.

Findings/Conclusions: Many local WIC programs provided needed health services and operated as adjuncts to good health care as the Congress intended, but others did not. In addition, required professional assessments of applicants' nutritional status were not made in some locations; States used different criteria for judging whether applicants were nutritional risks and eligible for the program; supplemental food packages seldom were tailored to participants' individual nutritional needs; nutrition education and program evaluation had not received the priority and attention they deserve; and program regulations contained provisions hindering effective evaluations. Weaknesses in these areas have resulted in some local programs operating mostly as food distribution programs, similar to the food stamp program, without being directly related to participants' health status.

Recommendations: The Secretary of Agriculture should take a number of actions addressing (1) the availability of health services in existing and planned program areas, (2) program coordination with the Department of Health, Education, and Welfare, (3) nutritional risk assessments, (4) tailoring of food packages, (5) nutrition education, (6) program evaluation, and (7) access to medical information. Authorizing WIC legislation should be revised to clearly require that participants receive needed health services where such services are available, accessible, and acceptable, with possible exceptions based on participants' religious beliefs. Congress should also address the problem of whether the benefits of the food supplement part of the program alone warrant its expansion into areas where needed health services cannot be delivered.

Agency Comments/Action

The Food and Nutrition Service has taken some action on the recommendation concerning the availability of health services in existing and planned program areas and has proposed changes dealing with the recommendations on food package tailoring, nutrition education, and program education. The Service is not implementing the recommendations concerning the timing of nutritional risk assessments, development of uniform nutritional risk criteria, and access to medical information. Congress is considering amendments to the WIC program.

Appropriations

Special Supplemental Food Program (WIC) - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

In view of the rapid expansion and high cost of WIC, the Committees should inquire into whether the funds are being used efficiently and effectively. For example, if health care is not available for WIC participants, adjustments may be needed in the funding levels of WIC and the programs providing health care. Also, if WIC does not operate as intended by the authorizing legislation, the funds may not be effectively used.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Summer Feeding Program for Children: Reforms Begun, Many More Urgently Needed

(CED-78-90, 3-31-78)

Budget Function: Agriculture (0350)
Legislative Authority: National School Lunch Act (42 U.S.C. 1761). P.L. 95-166 (91 Stat. 1325).

The summer food service program for children is one of several child feeding programs created to safeguard the health of the Nation's children. It is an extension of the school feeding programs and is designed to feed, during the summer vacation, children from poor economic areas. Almost since its inception in 1971, the summer feeding program has had problems adversely affecting program operations and goals.

Findings/Conclusions: Although abuses noted in the 1977 program were less flagrant and serious, the following problems remain: insufficient quantities of food in the meals served, poor food quality, and inadequate food storage facilities. Factors contributing to program abuses were the inflexible legislative limits on the amount of Federal funds for State administration, staffing shortages resulting from factors other than limits on State administrative costs, inadequate efforts to identify areas eligible for the program, inconsistent evaluations in approving sponsors and sites, insufficient State program monitoring, and inadequate State efforts to determine amounts of advance payments to sponsors. Department of Agriculture attention needs to be directed to determining areas' eligibility for program benefits, clustered and overlapping feeding sites, keeping sponsors with poor previous performances out of the program, visiting proposed feeding sites before they are approved, monitoring program feeding operations, and taking action against sponsors and sites violating program regulations.

Recommendations: The Congress should revise the summer feeding program legislation to provide the Secretary of Agriculture with more flexibility in providing administrative funds to meet the needs of the States. The Congress and the Department of Agriculture should consider various alternatives for dealing with problems resulting from inadequate facilities at feeding sites. The Secretary of Agriculture should strengthen some of the program regulations and better enforce them.

Agency Comments/Action

The Department generally concurred in most of the GAO findings and recommendations and has revised program regulations to better control program abuses. However, the Service has not taken action on the recommendation to hold States liable for losses resulting from not properly evaluating sponsor requests for fund advances and from advancing funds to sponsors owing money from prior year advances. Also, the program legislation has not been revised to provide for flexible funding of State administrative expenses.

Appropriations

Child nutrition programs - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

Because insufficient administrative funding could jeopardize program integrity in some States, the Committees should inquire into the need for legislative changes to provide adequate administrative funds and thereby prevent waste of program funds.

DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND QUALITY SERVICE

A Better Way for the Department of Agriculture To Inspect Meat and Poultry Processing Plants

(CED-78-11, 12-9-77)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Federal Meat Inspection Act (21 U.S.C. 601 et seq.) Poultry Products Inspection Act (21 U.S.C. 451 et seq.). Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 et seq.). Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). Fish and Wildlife Act of 1956 (16 U.S.C. 742a et seq.; P.L. 87-718; 70 Stat. 663; 7 U.S.C. 450). 50 C.F.R. 260.97(d). 50 C.F.R. 260.103(f). 9 C.F.R. 318.4a.

The Federal meat and poultry inspection program provides for inspection of meat and poultry products moving in interstate and foreign commerce. Inspection is essential to protect the health and welfare of consumers and is carried out at slaughter and processing plants. The total Federal meat and poultry inspection cost increased from about $135 million in 1970 to about $242 million in 1976, an increase of 79 percent.

Findings/Conclusions: Under current procedures of the Department of Agriculture's Food Safety and Quality Service, most processing plants are inspected daily, even though an inspector may only spend a few hours each day at a plant. The Service's inspection resources could be used more efficiently and effectively if inspection frequency at processing plants was tailored to the inspection needs of individual plants. Periodic unannounced inspections would allow the Service to inspect more plants or inspect plants needing upgrading more frequently. Upgrading certain plants would provide greater assurance that consumers are getting wholesome, unadulterated, and properly branded products. Any system of periodic unannounced inspections should require an in-plant quality-control system. The authority to require plant managements to develop and carry out adequate, reliable quality-control systems should be coupled with authority to apply strong penalties or sanctions when plant managements fail to carry out their responsibilities under these systems.

Recommendations: Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to: make periodic unannounced inspections of meat and poultry processing plants; require meat and poultry processing plants to develop and implement quality-control systems; and withdraw inspection or impose civil penalties of up to $100,000 for processing plants failing to take appropriate action when the quality-control system identifies a deficiency or when plants fail to comply with inspection requirements. If Congress amends the acts, the Secretary should develop criteria for deciding the optimal inspection frequency for individual processing plants and for assessing penalties within the provisions of the acts. The Secretary should, in cooperation with industry, develop criteria for determining the quality-control systems needed at various types and sizes of processing plants.

Agency Comments/Action

On July 17, 1978, the Department informed the Senate Committee on Governmental Affairs and the House Committee on Government Operations that it would draft a legislative proposal for the 1979 legislative session to amend the Federal Meat Inspection Act and the Poultry Products Inspection Act as recommended by GAO. In December 1978 the Department officials said that the legislative proposal was being delayed until the Department could study voluntary quality-control programs at certain processing plants. On September 14, 1979, the Department proposed regulations to provide for the approval of complete or partial quality-control systems, voluntarily developed by processing plants. The Department would continue to provide the Federal inspection necessary to carry out the responsibilities of the Acts. In October 1979, Department officials said that by September 1980 the voluntary quality-control program should be operational in at least 50 processing plants. If necessary, after completely testing, analyzing, and evaluating the voluntary quality-control program, the Department plans to draft a legislative proposal to require processing plants to develop and implement mandatory quality-control systems. Also, the Department was preparing a legislative proposal, for submission to the Congress by the end of December 1979, to provide for civil penalties and additional authority to withdraw inspection when processing plants fail to comply with inspection requirements, regardless of whether a plant has an approved quality-control system or is inspected under current Department procedures. In August 1980, Department officials said the Department was still working on proposed regulations for establishing a voluntary quality-control program and a legislative proposal for civil penalties.

Appropriations

Salaries and expenses and refunds, inspection and grading of farm products - Department of Agriculture, Food Safety and Quality Service

Appropriations Committee Issues

Inflation and Federal takeover of State inspection programs have been and will continue to be the major factors contributing to rising Federal inspection costs. These rising costs will continue unless Agriculture changes its basic approach to inspections. By tailoring inspection frequency to the inspection needs of individual processing plants, Agriculture could utilize its inspection resources not only more efficiently but also more effectively.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Forest Service Efforts To Change Timber Sale Method

(RED-75-396, 7-16-75)

Budget Function: Natural Resources, Environment and Energy: Conservation and Land Management (0302)
Legislative Authority: S. Rept. 93-1069.

The primary timber sale method used in the Forest Service's western regions has been log measurement. Under this method a purchaser agrees to pay for logs on the basis of a Forest Service or scaling bureau estimate of the marketable volume of wood in logs that have been cut. In recent years, the Service has been trying to increase its western regions' use of the tree measurement method of selling timber. Under this method the purchaser agrees to pay a specific amount for the timber in a sale area on the basis of a Forest Service estimate of the marketable volume of wood in the trees before they are cut down. Because of industry opposition to this method, the Service has attempted, through test sales, to obtain data to compare the two methods.

Findings/Conclusions: In a report to Senator Pete V. Domenici, GAO pointed out that, because the Service had not provided special funds and adequate guidelines and procedures for conducting test sales, (1) there had been inconsistencies among the regions in carrying out the test sales, and (2) the relative accuracy and cost of the two methods had not been determined. The Service issued revised guidelines and procedures in March 1975 but had not established a test-sale program completion date or plans for special funding. Until the program is completed, the Service will not be able to provide well-documented evidence to settle the questions of effectiveness and costs of the two methods.

Recommendations: The Forest Service should set dates for completing test sales, provide its regions with the funds needed to conduct adequate and timely test sales, and evaluate and report the results of such sales to appropriate congressional committees.

Agency Comments/Action

Although Forest Service officials consider tree measurement to be a valuable and necessary technique applicable to a variety of forests, test sales have been done only on a limited basis. As of July 1980, additional funds and manpower had not been made available to complete the test sale program. However, a Forest Service task force was studying the tree measurement issue, which may result in recommendations for additional resources.

Appropriations

Forest management, protection, and utilization - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Forest Service needs to give its regions funds to conduct adequate and timely test sales to provide data sufficient to compare the accuracy and costs of the two sales methods.

DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification Administration Loans to Electric Distribution Systems: Policy Changes Needed

(CED-80-52, 5-30-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Rural Electrification Act of 1936 (7 U.S.C. 901-902). Emergency Relief Appropriation Act of 1935 (49 Stat. 115). (P.L. 93-32; 87 Stat. 65). Executive Order 7037. S. Res. 21 (86th Cong.). REA Bull. 2-1.

Rural Electrification Administration (REA) loans and other assistance have played a major role in bringing electric service to rural America since 1935. Although some electric distribution systems continue to need loan subsidies, others could qualify for and obtain long-term credit from other sources at reasonable rates and terms and still have comparable costs and charge comparable electric rates. Changes are needed in REA loan policies and procedures to identify these borrowers, and to better match loan subsidies with individual borrower needs.

Findings/Conclusions: Under its policies and procedures, REA has made limited progress in encouraging systems to become financially self-sufficient. About 42 percent of the borrowers GAO reviewed could probably qualify for non-REA loans at reasonable rates and terms. Some of these have high costs which would be passed on through charging relatively high electric rates. However, others have low costs and could absorb increased interest costs without increasing electric rates. REA loan-making criteria do not adequately correlate the type and/or amount of subsidized loan REA will provide with the borrower's needs. Thus, borrowers with high costs can receive the same subsidy or even less than those with low costs. The REA administrator advised GAO that using rate comparability criteria for determining need for assistance would be difficult because of such matters as differences in geographic energy use and supply, and in State rate-setting agencies. Recognizing these difficulties, GAO concluded that, since the most important factor in establishing electric rates is borrowers' costs, cost comparability should be used as a substitute for rate comparability. .

Recommendations: The Secretary of Agriculture should direct the Administrator of REA to develop a legislative plan for revising the policies for making insured loans to rural electric distribution systems. As a part of the plan, the Administrator should develop criteria (1) for determining which electric distribution system borrowers qualify for long-term loans from private creditors at reasonable rates and terms; and (2) based on cost comparisons with investor-owned utilities, for determining the subsidized loans needed, if any, by electric distribution system borrowers to enable them to charge comparable electric rates. Also, the Secretary should direct the Administrator to establish a minimum equity level goal for borrowers with low equities to develop plans to increase their equity levels to the goal established; and in reviewing electric rate changes, ensure that the borrowers' rates are, where practicable, sufficient to generate the income needed to meet equity level objectives set forth in the plan.

Agency Comments/Action

The Department of Agriculture was critical of the GAO study methodology. It said, however, that it would make a detailed evaluation of long-range program objectives, regulations, and criteria governing borrower qualifications. In its August 1980 statement on actions taken on the recommendations, the Department said that the evaluation was continuing and that it expects some recommendations for improving program operations would be made in fiscal year 1981.

Appropriations

Rural electrification and telephone revolving fund loan authorizations - Department of Agriculture, Rural Electrification Administration

Appropriations Committee Issues

Presently, program subsidy costs are financed through the assets of the Rural Electrification and Telephone Fund; however, it is projected that by the year 2000 annual appropriations of over $2 billion will be required. Implementation of the GAO recommendations to base loan subsidies on what each borrower needs to help charge reasonable electric rates would result in a more equitable distribution of funds and better achieve program objectives.

DEPARTMENT OF AGRICULTURE

SCIENCE AND EDUCATION ADMINISTRATION

The Cooperative Extension Service Should Provide Farmers With More Information on Farm Credit Sources

(CED-80-45, 2-27-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Food and Agriculture Act of 1977. P.L. 94-305.

Farmers are finding more than ever that borrowing is a necessity. However, information on sources of credit, interest rates and terms, and how to apply for farm credit is available only on a piecemeal basis from lenders, the Cooperative Extension Service, and other sources. While the supply of credit from the numerous farm lenders has generally been adequate to meet the needs of qualified borrowers, beginning and marginal operators have had problems getting credit and repaying outstanding loans. Lenders may determine that a farmer lacks sufficient repayment ability or collateral or, in other instances, local credit conditions or lending practices may restrict the number of credit sources available. However, several potential sources of credit often exist for a given situation, with different effects on the borrower. Further, the time required to process and approve an application, loan servicing, availability of funds during periods of tight credit, and the amount of downpayment required can significantly affect a borrower's ability to repay a loan, make a profit, and succeed in business. In an effort to meet the farmer's need for increased availability of credit information, GAO randomly sampled 419 farmers nationwide who have applied for farm credit in the past 5 years and are able to make the financial decisions for the farm they own or operate. Over one-third of the responding farmers had not heard of 10 or more of the 16 basic types of farm lenders. In addition, a large number of the sampled farmers were unaware of the types of loans available from each of the five largest lenders. A range of from 14 to 92 percent of the farmers who applied only for short-term loans were not aware of which of the five major lenders make this type of loan. Similar results were obtained for those farmers who applied for long-term loans.

Findings/Conclusions: Fifty-one percent of the sample farmers said that a central source of credit information is definitely needed. Conversely, 32 percent said a central information source is definitely or probably not needed. Support for a central information source is strongest among young, beginning, and small volume farmers. The weakest support was expressed by the older, more experienced farmers. Farmers who said that a central credit source was not needed were slightly more knowledgeable about major lenders than the overall sample of farmers. Nevertheless, many of these farmers lack basic knowledge about the availability of credit from major lenders and know even less about the smaller volume lenders. GAO believes that although existing programs cannot practicably fulfill all of the farmers' credit information needs, the Cooperative Extension Service could provide more information because of the availability of its personnel and network of county offices in farming communities. Providing a central source of credit information would supplement other Federal programs designed to aid the family farm sector, and this information would: (1) identify private and public credit programs available to help potential farmers get a start in farming; (2) help financially sound farmers to improve their efficiency, and (3) direct financially marginal farmers to the private and public credit sources that can help them remain in business.

Recommendations: The Secretary of Agriculture should: (1) have the Director, Science and Education Administration, encourage State Cooperative Extension Services to provide farmers with more information on farm credit sources which should include allocating special project funds to several States interested in preparing a credit information handbook or an experimental basis at both the State and local levels; and (2) at the conclusion of the experiment, gather and provide to the Congress and each State Cooperative Extension Service information on the handbooks' costs, its usefulness to farmers, and the impact of the increased workload on the extension staffs.

Agency Comments/Action

The Science and Education Administration stated that it will (1) work closely with the State Extension Services to provide more information to farmers on farm credit sources, (2) assist states in increasing emphasis on financial management education, and (3) give high priority to funding special experimental projects in two or three States for preparing credit information handbooks at the State and local levels.

Appropriations

Cooperative Extension Service - Department of Agriculture, Science and Education Administration

Appropriations Committee Issues

The Science and Education Administration funds a limited number of special projects each year. The Committees should inquire whether the recommended special project to prepare "credit information handbooks" for farmers will be approved. If this special project is not funded, the Committees should (1) determine if all available special project funds are scheduled to be obligated, and (2) which other special projects are to be funded in lieu of the recommended project.

DEPARTMENT OF COMMERCE

Feasibility of Automating the Search Process at the Patent and Trademark Office

(FGMSD-80-40, 5-9-80)

Budget Function: General Government: Other General Government (0806)

An examination was made of the Patent and Trademark Office's patent search process to determine whether automation of the process would reduce costs and improve quality.

Findings/Conclusions: Timeliness and quality can be improved by making procedural changes. Automation of the search process at this time would not significantly improve timeliness or quality; it would merely make the process more costly. Whether or not the search process can ever be automated depends on future technology. However, the Patent Office should continue its ongoing experiments with techniques for automating the search process. If pendency time is to be reduced, the two basic options are to request additional staff to reduce the backlog of applications awaiting review, and/or limit the amount of time allowed an applicant to submit the issuance fee after approval. GAO is concerned about patent quality. The lack of integrity in the examiner's files is detrimental to the quality of patents issued and contributes to the perception that the patent process does not result in quality patents which can withstand challenge.

Recommendations: To improve patent quality, the Secretary of Commerce should direct the Commissioner of Patents and Trademarks to develop a system that will let examiners and clerical support staff know what patent documents are removed from the examiner's files. A system should be developed that will protect the examiner's search files from nonexaminer abuse. This could be accomplished either by making the public search files comparable to the examiner's search files and then denying the public access to the examiner's files, or by improving the security and controlling access to the examiner's files so that public users could not misfile or permanently remove patent documents.

Agency Comments/Action

No agency response had been received as of the date that this report was prepared.

Appropriations

Deparment of Commerce

Appropriations Committee Issues

The Committees should determine what actions the Patent and Trademark Office have taken to assure the integrity of the examiners' search file. Specifically, they should determine whether actions have been taken to implement a system that enables examiners and clerks to know what documents are missing, and whether actions have been taken to prevent public misuse of the examiners' files. The Committees should also determine if the Office has taken steps to develop a user survey to measure and track perceived patent quality.

DEPARTMENT OF COMMERCE

APPALACHIAN REGIONAL COMMISSION

Should the Appalachian Regional Commission Be Used as a Model for the Nation?

(CED-79-50, 4-27-79)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Appalachian Regional Development Act of 1965.

The Appalachian Regional Commission (ARC) is an experiment to see whether effective policy and plans can be made for the economic, social, and environmental growth and development of Appalachia. The Commission considers its program a model for the Nation and recommends the concept be expanded to a nationwide system of multistate commissions. However, such expansion would be premature until the problems and unresolved issues are thoroughly considered.

Findings/Conclusions: Problems include program planning and evaluation, fund allocation procedures, internal controls, and monitoring state expenditures.

Recommendations: The Commission should: (1) amend its basic policy to require that each State plan address the same development problems; (2) develop and adopt additional written guidelines for State and district planners; (3) use its regional development planning process to establish specific goals in terms of acceptable education, employment, health, housing, income, and other standard-of-living levels; (4) require States to provide some fixed minimum level of State financial contribution for nonhighway programs and limit each State's nonsupplemental use of supplemental funds; and (5) define more clearly what each State's evaluation capability should be, set target dates by which that capability should be in place, establish a long-range fiscal plan addressing future Federal and State commitment to the program, and make provisions to evaluate program effectiveness within a reasonable period of time. Congress should amend the Appalachian Regional Development Act to require the Commission to monitor State expenditures in both the Appalachia and non-Appalachia parts of each State and establish a more current base level of State expenditures for the Act's maintenance-of-effort requirement.

Agency Comments/Action

It was agreed by Commission resolution that infant mortality, education, housing, and energy warrant priority attention on a regional basis. Specific goals are being established to address these areas, specific funding commitments have been made, and a requirement was established that States report annually on strategies, funding, and progress in meeting area goals. Also, internal controls have been established for project closeout.

Appropriations

Appalachian regional development programs - Appalachian Regional Commission

Appropriations Committee Issues

Congressional action is needed to ensure that State expenditures are properly monitored and that a more current base level of State expenditures for the maintenance of effort requirement is established. The Committee should monitor ARC operations to assure that State plans are more comprehensive and consistent.

DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

Problems in Test Censuses Cause Concern for 1980 Census

(GGD-80-62, 6-3-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: 13 U.S.C. 141.

The 1980 Decennial Census, now underway, affects the distribution of seats in Congress and the disbursement of billions of dollars. Questions have arisen concerning the Census Bureau's low mail response rate in the last test census and the Bureau's experience with temporary personnel in the test censuses and its plans for them in the current census. Bureau records examined on the test censuses included progress reports, correspondence, operations manuals, and budgets. Bureau officials were interviewed to obtain the views of enumerators who worked on the Lower Manhattan test census. The analysis of enumerator productivity in the test censuses was restricted by data limitations, such as the lack of records on the number of enumerators who were paid the minimum rate, composite payroll information on the tests, hours worked, and the number of persons working as reported on test census progress reports.

Findings/Conclusions: Higher than expected workloads, staff shortfalls and generally lower than expected productivity combined to delay the completion of the test censuses. The workload and time for taking the census were greatly affected by the questionnaire mail response rates. This rate in test censuses was generally far below Bureau expectations, especially in Lower Manhattan where a 36 percent response rate occurred. A 52.5 percent response rate was estimated for areas like Lower Manhattan and a 72 percent response rate was estimated for all other areas. As of April 10, 1980, data showed that these estimates were being achieved. During the test censuses, enumerator productivity was generally lower than anticipated. Problems in recruiting and retaining enumerators combined with the low productivity resulted in significant delays in completing the tests. The major reason for the 37 to 74 percent enumerator turnover was inadequate pay. Enumerator production standards and piece rates for the 1980 census did not adequately reflect test census experience. The payment scale has not been adjusted because of budgetary limitations. Because the Bureau has not actively recruited part-time help, a greater burden has been placed on the production needed to meet schedules for completing the census. Delays will make it difficult to meet the statutory dates for reporting the census results. GAO believes that the appropriate congressional committees should consider the Bureau's plans for altering census procedures. The plans should include the effect on population coverage improvement and data quality.

Agency Comments/Action

The Bureau of the Census had to ask for additional funds to complete the 1980 decennial census.

Appropriations

Periodic censuses - Department of Commerce, Bureau of the Census

Appropriations Committee Issues

The Committees should consider additional funds to complete the 1980 decennial census.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Changes Proposed for the Funding of Public Works Projects Would Expedite Economic Development and Job Opportunities

(CED-77-86, 7-7-77)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121).

Fifteen hundred public works projects, or over 50 percent of those approved by the Economic Development Administration (EDA) since 1965, have been delayed in getting under construction, causing economic development and job opportunities to be postponed or lost.

Findings/Conclusions: Between fiscal years 1966 and 1975, the EDA approved grants of $1.4 billion to construct 2,800 public works projects in areas of substantial and persistent unemployment. Although construction should start within 1 year after the project is approved, 54 percent of these projects exceeded 1 year, and 20 projects approved over 5 years ago are not yet under construction. Millions of dollars have remained obligated to some projects, while others have not been approved for lack of funds. Delays often occur because projects are approved on the basis of preliminary design. Creation of a two-step grant system would permit reuse of funds if projects experienced considerable delays during design.

Recommendations: Congress should amend the Public Works and Economic Development Act of 1965 to authorize two grants for public works projects, one for project design and one for project construction. This would provide financial assistance to communities for designing projects without committing funds for construction until the projects are ready to bid. Since the EDA 1-year appropriations will restrict implementation of a two-step grant system, Congress should make public works appropriations available for 2 fiscal years.

Agency Comments/Action

Legislation has been introduced in the Senate (S.914) and the House (H.R 2063) to amend the Public Works Economic Development Act as recommended by GAO. The bills are still pending approval.

Appropriations

Economic development assistance programs - Department of Commerce, Economic Development Administration

Appropriations Committee Issues

Legislation has been introduced which would authorize 2-part grants. Appropriations will remain on a 1-year basis. The Committees should monitor the 2-part grant system, if enacted, to see if 1-year appropriations impede implementation.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Measuring Accomplishments Under the Business Development Assistance Program--More Accurate Verification Recommended

(CED-79-117, 9-6-79)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121). Civil Rights Act of 1964.

The Economic Development Administration (EDA) attempts through its Business Development Assistance Program to create permanent jobs in areas of high unemployment by helping businesses to expand or locate new facilities in these areas. This help includes direct loans and guarantees of loans with private lending institutions. EDA has a goal that at least one permanent job will result for each $10,000 of assistance. As of June 30, 1979, EDA had made 736 direct loans valued at about $672 million and had guaranteed 235 loans totaling about $387 million. GAO reviewed the following issues relating to the effectiveness of the Business Development Assistance Program: whether EDA compares and evalutes the number of jobs actually saved and created through the program with those projected; how EDA verifies the jobs saved and created; and how EDA assures that the jobs resulting from the program benefit the unemployed.

Findings/Conclusions: The business loan program was effective in saving and creating jobs for the 48 loans that were reviewed by GAO. These loans contributed to the saving and creating of over 9,400 jobs. The average cost per job was $6,700, which was below the target maximum of $10,000 established by EDA for individual projects. EDA had not adequately monitored jobs resulting from the program, however, and its information system contained numerous errors on employment benefits derived from the 48 loans. Some jobs reported as saved and created were based on original projections rather than actual results; jobs were still being credited for liquidated loans on bankrupt companies; and certain businesses receiving more than one loan had their employment counted twice.

Recommendations: The Assistant Secretary for Economic Development should develop and issue guidelines to be used by financial analysts in evaluating the reasonableness of job data submitted by loan applicants. These guidelines should be in addition to the criteria proposed for discounting applicant employment projections. The guidelines might include a provision requiring a comparison of the applicant's projected employment with actual employment of similar size companies in the same industry. The Assistant Secretary should also assign responsibility and develop procedures to monitor whether unemployed workers are benefiting from business loans. Consideration might be given to having businesses indicate on their loan applications or on their annual financial statements the total jobs filled by previously unemployed workers and the average duration of their unemployment. Businesses could provide this information by maintaining a simple log showing whether new employees were previously unemployed and the duration of their unemployment. Procedures should be established for periodically selecting a sample of projects to verify reported accomplishments. These procedures should specify which documents, such as payroll or tax records, to use in making this verification.

Agency Comments/Action

EDA is awaiting approval of new legislation that will significantly expand its assistance to private businesses. Procedures and guidelines will be revised for administering this assistance and EDA will give specific consideration to GAO's recommendations.

Appropriations

Economic development assistance programs - Department of Commerce, Economic Development Administration

Appropriations Committee Issues

The Committees should oversee the Operational Planning and Control System to assure that it is effectively implemented.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

More Can Be Done To Identify and Help Communities Adjust to Economic Problems Caused by Increased Imports

(CED-79-42, 5-15-79)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Trade Act of 1974 (P.L. 93-618; 19 U.S.C. 2101). Public Works and Economic Development Act of 1965 (42 U.S.C. 3121). Trade Expansion Act of 1962 (P.L. 87-794). 4 C.F.R. 315.98. H.R. 1953 (96th Cong.). S. 227 (96th Cong.).

An attempt was made to assess the impact of imports on local economies and to determine whether public officials and business representatives were aware of community benefits provided under the Trade Act. The Economic Development Administration (EDA) of the Department of Commerce is responsible for administering adjustment assistance to communities and business firms. Under the Trade Act, communities injured by imports are entitled to a wide range of financial assistance provided under the Public Works and Economic Development Act; however, communities must apply for this assistance.

Findings/Conclusions: The EDA has not set up a separate program to assist communities that have been injured by imports; therefore, these communities have had to compete with communities having economic problems attributable to other factors, such as natural disasters or closed military installations. The Trade Act also mandated that a trade monitoring system be established to identify communities with economies that are vulnerable to import injury. Limitations in data comparability have hindered the establishment of an effective system. Problems include: differences in classifications between imported and domestically produced products, and insufficient detail in reporting and delays in publishing domestic employment and production statistics. There are also insufficient funds to maintain and refine the system.

Recommendations: To assist the Congress in assessing what changes may be desirable in the program, the Secretary of Commerce should direct the Assistant Secretary of EDA to: develop information on the magnitude of the problem by identifying communities injured by imports and indicating the nature and extent of the injury; and present recommendations to the Department on how assistance levels to trade-impacted communities should be established and the specific funding needed for this purpose. The Congress should reaffirm its position that communities injured by imports are to receive special attention and should specify whether the Department of Commerce should take the actions recommended by GAO. The Congress should also amend the certification and benefit delivery provisions of the Trade Act of 1974 by specifying that adjustment assistance be provided through provisions of the Public Works and Economic Development Act of 1965. In place of the certification criteria, the Congress should specify that adjustment assistance be provided to communities based on a systematic assessment of their relative needs and their ability to adjust to their individual dislocation problems.

Agency Comments/Action

EDA did not agree that they had not established sufficient criteria and procedures to identify and assist communities impacted solely by imports. Their experience is that community trade adjustment assistance is inseparable from community economic adjustment assistance.

Appropriations

Economic development assistance programs - Department of Commerce, Economic Development Administration

Appropriations Committee Issues

Committee interest and concern is needed to assure that communities injured by imports are receiving special attention based on a systematic assessment of their relative needs and ability to adjust to their individual dislocation problems.

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Cargo Preference Programs for Government-Financed Ocean Shipments Could Be Improved

(CED-78-116, 6-8-78)

Budget Function: Commerce and Transportation: Water Transportation (0406)
Legislative Authority: Military Transportation Act of 1904 (10 U.S.C. 2631). Cargo Preference Act of 1954 (P.L. 83-664; 46 U.S.C. 124(b)). Merchant Marine Act of 1970 (46 U.S.C. 1241(b)). Merchant Marine Act of 1936. 15 U.S.C. 616(a).

Cargo preference laws seek to promote the development and maintenance of an adequate, well-balanced U.S. merchant marine, to promote U.S. commerce, and to aid in the national defense. The laws require use of U.S. flag vessels for 50 to 100 percent of Federal Government-generated ocean shipments. The Secretary of Commerce is responsible for issuing cargo preference regulations, reviewing the administration of agency cargo preference programs, and reporting them annually to Congress.

Findings/Conclusions: The three major civilian Government agencies reporting to the Maritime Administration (MarAd) have generally met the U.S. flag shipping requirements. MarAd had some success in expanding the number of programs with cargo preference requirements but has been hampered by nonspecific legislation and lack of clear-cut authority to determine the applicability of cargo preference legislation to programs. Reports to Congress on cargo preference shipments have been incomplete, and some agencies have not fully complied with MarAd reporting regulations. Although MarAd has tried to resolve these problems, improvements are still needed. It is developing a computerized system to improve its cargo preference monitoring and reporting capabilities.

Recommendations: Congress should clarify section 901(b) of the Merchant Marine Act of 1936 concerning the types of programs to be covered under cargo preference legislation and the extent of MarAd's authority to determine the applicability of the legislation to specific programs. The Secretary of Commerce should direct the Assistant Secretary for Maritime Affairs to: (1) include in the annual cargo preference report those agencies not complying with MarAd's determination under section 901(b) and the reasons why not; (2) amend MarAd's cargo preference regulations to require submission of available summary shipment or other data as well as bills of lading for all Federal agency cargo preference shipments; and (3) establish a timetable for identifying all of the Department of Defense's (DOD) programs that have cargo preference applicability and for developing DOD reporting requirements.

Agency Comments/Action

The Department of Commerce concurs with the intent of the GAO recommendations.

Appropriations

Departments of State, Justice, Commerce, the Judiciary, and related agencies

Appropriations Committee Issues

S. 1461, a bill to implement the GAO recommendations to Congress, was introduced on July 9, 1979, and referred to the Committee on Commerce, Science, and Transportation.

DEPARTMENT OF COMMERCE

NATIONAL BUREAU OF STANDARDS

National Bureau of Standards--Answers to Congressional Concerns

(CED-80-49, 2-2-80)

Budget Function: General Science, Space, and Technology (0250)
Legislative Authority: 31 Stat. 1449.

The National Bureau of Standards (NBS), part of the Department of Commerce, supports the U.S. scientific and technical community by setting standards for the nation's physical measurement system and carrying out a number of scientific and technical services for industry and government. Information was requested for use by the congressional committees responsible for reauthorizing NBS activities beyond fiscal year 1980. The report concerns: (1) problems faced by NBS because of implementation by the Office of Management and Budget (OMB) of its "lead agency" concept whereby an agency charged with a specific mission is the primary source of funds to support all activities contributing to that mission, regardless of whether they are carried out by that agency or by others; (2) user satisfaction with NBS research efforts; (3) an evaluation of major reprogramming by NBS of its research efforts; and (4) information on which of the acts that assign responsibilities to NBS overlap, duplicate, or are in conflict with other acts.

Findings/Conclusions: The ability of NBS to perform its assigned function has been hampered by implementation of the lead agency policy. OMB has not recognized that measurement is a NBS lead agency responsibility; rather, OMB has taken the position that if measurement is directly related to another lead agency's mission, that agency should fund it. Inevitably, funds being considered by other agencies for allocation to NBS are more likely to be cut or directed to higher priorities within the lead agency. Respondents to a questionnaire sent to users of NBS services and interviewees from the NBS evaluation panels and the Statutory Visiting Committee gave high ratings to NBS services. The NBS reprogramming effort was too recent for GAO to evaluate in terms of its impact on NBS scientific work or on the users of the programs that were terminated. The terminated programs were worthwhile but of lower priority than the programs proposed to replace them. GAO found no inconsistency, conflict, or substantial duplication among the acts assigning responsibilities to NBS. Legislation enacted since the 1901 act which gave NBS broad authority to determine its scientific activities has focused attention on specific national problems and made major policy decisions in the areas of science and technology.

Recommendations: If the Congress decides to revise or amend the original legislation authorizing NBS to perform its functions, the language of the legislation should make clear the areas in which NBS is to have lead agency responsibility.

Appropriations

Operations and research - Department of Commerce, National Bureau of Standards

Appropriations Committee Issues

To enable NBS to perform its measurement functions effectively, the Committees need to ensure that funds appropriated to other Federal agencies for these functions are provided to NBS.

DEPARTMENT OF COMMERCE

NATIONAL OCEANOGRAPHIC AND ATMOSPHERIC ADMINISTRATION

Developing Markets for Fish Not Traditionally Harvested by the United States: The Problems and the Federal Role

(CED-80-73, 5-7-80)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801 et seq.)

Opportunities exist for the United States to make greater use of its nontraditional fisheries, those which have not been developed to their full potential. Development of such fisheries could have significant economic benefits, including creating jobs and expanding exports. GAO studied the fishery development program of the National Marine Fisheries Service which included an examination of market development and financial assistance, an assessment of fish resources, and an investigation of the need for the new technology and the alternatives to improve these areas.

Findings/Conclusions: Marketing is the key for development of nontraditional fish species. However, before such development can occur, obstacles such as low price, inferior product quality, restrictive foreign trade policies, and lack of consumer acceptance must be overcome. Although several different programs can be adopted to further promote nontraditional species, the regional approach led by industry, with Federal and State support, appears to be one of the best strategies. The Federal Government can also continue to play an important role by providing financing, consumer education, and quality control programs and by helping to ease trade barriers. Lending institutions often perceive development of nontraditional fisheries as a high-risk endeavor. As a result, financing can be difficult to obtain. Foreign investment is a source of financing for U.S. fisheries. Such investment can have positive effects, including creating jobs. Concern has been expressed that foreign investment may inhibit domestic development of nontraditional fisheries. The need for improved fishery resource assessments has been widely discussed. They can help nontraditional fisheries develop by defining the extent of the resource for both the fishing industry and potential investors. Although some new technology is needed, the level of U.S. technology generally is not a major hindrance to the further commercial development of nontraditional species. Where new technology is needed, the Fisheries Service should continue to actively help industry develop equipment to harvest and process nontraditional species.

Recommendations: If Congress decides that improved financing for the development of nontraditional fisheries is needed, it could be accomplished by amending the Merchant Marine Act of 1936 to: (1) guarantee, through a Fishing Vessel Obligation Guarantee high-risk subfund, loans to initial ventures for harvesting and/or processing nontraditional species; (2) allow Fishing Vessel Obligation Guarantee funds to be used to acquire used vessels and convert them to harvest nontraditional fisheries; and (3) expand the Fishing Vessel Obligation Guarantee and Capital Construction Fund programs to include nontraditional fish processors. The Secretary of Commerce should direct the National Marine Fisheries Service to undertake a public relations program to emphasize to the fishing industry (1) the purposes of its fishery resource assessment program, and (2) the degree of reliability and usefulness of the data collected.

Agency Comments/Action

The Department of Commerce's National Oceanic and Atmospheric Administration agreed with the GAO recommendation on the need to publicize the purpose of its fishery resources assessment program. It said that the National Marine Fisheries Service is responding to this recommendation through its interaction with regional fishery management councils at whose meetings industry groups are represented.

Appropriations

Operations research - Department of Commerce, National Oceanic and Atmospheric Administration

Appropriations Committee Issues

The Appropriations Committees should inquire into the adequacy of the agency's program publicity efforts and the desirability of legislative changes to improve financing for development of nontraditional fisheries.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Federal Weather Modification Efforts Need Congressional Attention

(CED-80-5, 11-1-79)

Budget Function: Natural Resources and Environment: Water Resources (0301)

A coordinated approach to weather modification programs has never been established. Focusing on rainfall augmentation, GAO reviewed the general problems associated with current weather modification programs.

Findings/Conclusions: GAO found that there was no national weather modification policy. No central authority directed the programs. Coordination has been ineffective, and research was fragmented. The lack of integrated planning and coordination has inhibited progress toward a rainfall augmentation program. An earlier GAO report recommended development of a national program with goals, objectives, priorities, and milestones, and the designation of a central administrative agency. These recommendations were not carried out. The Weather Modification Advisory Board, agreeing with those recommendations, proposed: a congressional statement of national weather modification policy; and a clearly focused, integrated research and development program on learning more about how to modify the weather.

Recommendations: The Secretaries of Commerce and Interior the should establish an integrated, formal planning program to help ensure coordination of their respective rainfall augmentation projects. The Congress should set forth a national weather modification research and development policy and direct that a program be developed with goals, objectives, priorities, and milestones. Also, it should designate one agency to administer, maintain, and control the program.

Agency Comments/Action

The Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) agreed with the recommendation on the need for a consolidated national weather modification research and development policy and program to be administered by one agency. The Department of the Interior objected to the recommendation. NOAA disagreed with the recommendation that the Secretaries of Commerce and the Interior establish an integrated, formal planning program to help ensure coordination of their respective rainfall augmentation projects. The Bureau of Reclamation agreed with the recommendation. The Administration established a Weather Modification Subcommittee under the Committee on Atmosphere and Oceans of the Federal Coordinating Council on Science, Engineering, and Technology to assist in planning and coordinating weather modification activities.

Appropriations

Operations research - Department of Commerce, National Oceanic and Atmospheric Administration
Operations research - Department of the Interior, Bureau of Reclamation

Appropriations Committee Issues

The Appropriations Committees should monitor the progress of the recently established Subcommittee in planning and coordinating weather modification activities. GAO continues to believe that a national weather modification research and development policy is needed.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Problems Continue in the Federal Management of the Coastal Zone Management Program

(CED-80-103, 6-25-80)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)

Conflicting demands by industrial, commercial, and residential developers and those who wish to preserve, protect, and restore valuable resources in coastal States and territories, continue in the 19 States having federally approved management programs. GAO reviewed the Coastal Zone Management (CZM) Program in 1976 and reported that the National Oceanic and Atmospheric Administration (NOAA), which administers the program, did not always understand State problems and progress. The report stated that NOAA had been long on encouraging States but short on effective monitoring and problem solving. Because States were entering a new phase in the program, GAO proposed that NOAA increase assistance in monitoring State programs, resolving special problems, and strengthening Federal/State coordination. The Department of Commerce agreed with the GAO proposals and started corrective action. GAO made a followup review of the Federal management of the CZM program.

Findings/Conclusions: GAO found that many of the same problems cited in the previous report continue to exist. The program continues to need increased assistance in monitoring States, evaluating their performance and accomplishments, and providing greater problem solving assistance. Only one State had an approved program when the previous report was issued. As of May 1980, 19 States have federally approved programs; however, 4 States are currently out of the program and the chances of about 4 other States achieving an approvable program are questionable. Federal management officials are responsible for annual program evaluations of approved States' CZM programs. These evaluations were performed without appropriate evaluation guidelines and criteria. GAO found serious omissions in the presentation of certain factual data in evaluation reports. In response to questions in a GAO questionnaire, a number of States said that increased Federal assistance and aid would be appreciated and would help them to deal with problems such as resolving local government issues and coordinating with other Federal agencies.

Recommendations: The Secretary of Commerce should require the Administrator, NOAA, to improve the overall Federal management and administration of the Nation's coastal zone program by: (1) working closely with the States, helping them in resolving special problems and providing guidance for coordinating with other Federal agencies; (2) establishing and implementing formal program monitoring procedures, including appropriate measures to help identify underlying causes of delays in the development and implementation of State programs and work with the States in overcoming such problems; and (3) establishing appropriate evaluation guidelines and criteria to help insure a more systematic approach in CZM evaluation of States' performance and accomplishments.

Agency Comments/Action

NOAA concurred with most of the recommendations and stated that it has increased the number of staff to work with the States in resolving special problems, announced a formal program to provide technical assistance to state coastal zone management programs, initiated a review of Federal programs affecting the coastal zone, and held workshops on implementing Federal consistency. NOAA believed that formal and informal monitoring and evaluation is appropriate and effective. NOAA said that it established procedures for evaluations, published regulations, and provided staff and worked with state program managers in evaluations.

Appropriations

Coastal management - Department of Commerce, National Oceanic and Atmospheric Administration

Appropriations Committee Issues

The Committees may wish to review progress made by NOAA in implementing its program improvements to assist the States.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Severe Storms Research Activities

(CED, 10-10-79)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)

A review was made of the severe storms research activities within the National Oceanic and Atmospheric Administration (NOAA).

Findings/Conclusions: There is a need for improved communication and coordination between the group that is responsible for issuing public forecasts and warnings and the group that is responsible for research to improve forecasting and warning capability. The problem is complicated by the fact that there is no common definition of severe storms. It is evident that there are several unmet research needs and that research costs may become increasingly expensive. Significant improvements can be made in achieving common goals and objectives by better blending the perceptions of the forecasters and scientists as to what research is needed to better utilize existing resources.

Recommendations: Formal procedures should be established that require the National Weather Service to periodically identify and prioritize severe storms and other research necessary to support its operational program, and that such data can be used by the Environmental Research Laboratories in developing research plans and formulating specific research projects. The Federal coordinator should, in cooperation with the appropriate Assistant Administrators, compare weather service needs with research activities in order to evaluate project relevance and provide greater confidence that operational goals are being met in an effective manner.

Agency Comments/Action

NOAA generally agreed with GAO recommendations and said that actions were being taken to improve its communication and coordination processes.

Appropriations

Operations research - Department of Commerce, National Oceanic and Atmospheric Administration

Appropriations Committee Issues

The Committees should inquire into what efforts are being made by NOAA to improve the coordination between the National Weather Service and the Environmental Research Laboratories to better match the needs of operational personnel with the technological advances being pursued by research and development personnel.

DEPARTMENT OF COMMERCE

OFFICE OF FEDERAL STATISTICAL POLICY AND STANDARDS

After Six Years, Legal Obstacles Continue To Restrict Government Use of the Standard Statistical Establishment List

(GGD-79-17, 5-25-79)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Tax Reform Act of 1976. Privacy Act of 1974. I.R.C. 6103.

The Standard Statistical Establishment List maintained by the Bureau of the Census is a computerized file of information on 5.5 million U.S. corporations, partnerships, sole proprietorships, and other businesses which have employees.

Findings/Conclusions: The need for a centralized sampling list of businesses has been recognized since 1937. Three attempts to establish such a list have been made, and the third, in 1968, has been successful to the extent that the List is being used within the Census Bureau. By using the List for economic surveys, the Bureau has lowered costs and improved the quality of collected data. Although the List would greatly benefit the data collection by other agencies and increase the efficiency of Federal statistical information collection, Census Bureau and Income Tax confidentiality laws prevent its use by other agencies. Since 1972, efforts have been underway to draft and submit legislation to Congress to amend the Census law and permit other agencies access to the List. However, after 6 years, no proposals have been forwarded to Congress.

Recommendations: Congress should consider legislation to amend the Internal Revenue Code of 1954 to allow the Census Bureau to provide List information to Federal and State cooperative agencies for statistical purposes. The Secretary of Commerce should direct the Census Bureau and the Office of Federal Statistical Policy and Standards to improve plans for sharing the List by preparing cost estimates, holding technical meetings with future user agencies, exploring monitoring options to ensure List confidentiality, and collaborating with the Department of Agriculture to develop plans for the farm portion of the List. The Secretary also should direct the Office of Federal Statistical Policy and Standards to establish a priority date for submitting proposed changes to Congress and add a provision to this legislation requiring consent of a company or establishment if information is to be used in a manner other than specified in the legislative draft.

Agency Comments/Action

In its comments to congressional committees on actions taken on the GAO recommendations required by the Legislation Reorganization Act of 1970, Commerce reported that draft legislation to permit shared use of the List among statistical agencies has been prepared and is being reviewed by the Administration. Commerce noted that the legislative proposal does not contain a waiver provision as recommended by GAO. Commerce stated that it does not believe language should be added to the proposal that might make the use of waivers less controllable. Commerce said that the GAO recommendations to improve the plans for sharing the List are being addressed by the Bureau of the Census.

Appropriations

Salaries and expenses - Department of Commerce, Bureau of the Census

Appropriations Committee Issues

Because expanded use of the List would reduce costs and improve the comparability of government surveys, reduce duplication in data collection efforts, and alleviate reporting burden on businesses, the Committees should follow up with Commerce on the status of efforts to obtain legislative authority to permit other agencies to have access to the List and to plan for List sharing.

DEPARTMENT OF COMMERCE

OFFICE OF PRODUCTIVITY, TECHNOLOGY AND INNOVATION

Slow Productivity Growth in the U.S. Footwear Industry--Can the Federal Government Help?

(FGMSD-80-3, 2-25-80)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Trade Expansion Act of 1962. Trade Act of 1974.

Since the late 1960's U.S. footwear manufacturers have experienced a steady economic decline. In the 10 years between 1968 and 1978, domestic shoe production dropped 37 percent, imports rose 106 percent, and nearly 76,000 people lost their jobs. The number of shoe manufacturing firms decreased by almost half from 1967 to 1977. GAO undertook a study of the footwear industry to explore the effects of slow productivity growth on one American industry. The objectives of the study were (1) to identify the causes of the industry's economic decline and determine if the decline was related to low productivity and (2) to ascertain what competitive advantages foreign manufacturers had and how the Federal Government could help U.S. footwear manufacturers improve their productivity.

Findings/Conclusions: Domestic manufacturers must now devise strategies to compete effectively with imports to prevent further deterioration of their market position and to raise their productivity growth rate. It will be especially important for small and medium-sized manufacturers to enhance their manufacturing methods and acquire a better understanding of domestic and international markets. Automation may offer an opportunity for manufacturers to increase their productivity and gain a competitive advantage over foreign producers. U.S. producers need to consider technologies available from traditional and nontraditional suppliers. Thus, mechanisms must be cooperatively developed by the Government, industry, labor, and universities which can bring about the use of sufficient productivity-enhancing technologies to sustain the viability of the industry. Government assistance in the form of trade adjustment assistance programs has not been effective in helping the industry to adjust to import competition. The Government-initiated Footwear Industry Revitalization Program has been an important effort to help manufacturers improve their productivity and competitive position. However, the program is scheduled to expire in July 1980. A stronger Government effort to improve this industry's productivity growth could dissipate pressure for increased protectionism, reduce the future cost of trade adjustment assistance, improve the position of U.S. footwear manufacturers in international trade and enhance the industury's prospects for long-term survival.

Recommendations: The Secretary of Commerce should strengthen the Footwear Industry Revitalization Program by directing that additional initiatives be undertaken to foster joint efforts by industry, the Government, universities, and labor to improve the productivity and to enhance the long-term viability of the industry. These initiatives as a minimum should address: economic and technical uses of both traditional and nontraditional process technologies, especially group technology, computer aided design and manfacturing, and other forms of automation; innovative methods to help footwear firms acquire new technologies, such as joint ventures among footwear manufacturers and suppliers and firms from other U.S. industries; mechanisms, such as a permanent footwear center, to rapidly diffuse knowledge about new technologies which are deemed economically and technically feasible. The Secretary, in cooperation with the Secretary of Labor, should establish a neutral, nonadversary forum to bring together diverse public and private interests to identify alternatives for enhancing industrial productivity growth.

Agency Comments/Action

Agency officials generally agreed with the recommendations and have taken several initiatives to strengthen the Footwear Industry Revitalization Program. The Office of Productivity, Technology, and Innovation incorporated the footwear program as part of its major effort to facilitate cooperative actions between Government and the private sector toward improving the productivity and the competitive position of American industry. Cooperative activities for the footwear industry include establishment of a permanent footwear center and joint efforts between industry and Government to identify and evaluate technological developments that will provide competitive advantages.

Appropriations

Footwear Industry Revitalization Program - Department of Commerce, Office of Productivity, Technology and Innovation

Appropriations Committee Issues

The Commerce Department's efforts are important steps toward revitalization, but stronger Government initiatives may be needed to improve the productivity growth of this industry. If the Footwear Industry Revitalization Program is continued, it must be strengthened substantially to have enough impact on the industry's productivity growth to create a competitive advantage for U.S. manufacturers.

DEPARTMENT OF COMMERCE

PATENT AND TRADEMARK OFFICE

The Need To Evaluate the Benefits and Costs of a Proposed Trademark Treaty and Implementing Legislation

(CED-77-133, 10-7-77)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Trademark Act of 1946 (15 U.S.C. 1051).

The Department of Commerce proposes to change the U.S. trademark law. The Department vigorously supports the proposed International Trademark Registration Treaty, to which the United States is a signator. If the Congress is to ratify the treaty, changes in U.S. trademark law are necessary. The proposed legislative changes will not only affect the registration of international trademarks but will greatly alter the process and methods for registering domestic trademarks in this country. The changes will affect all U.S. business firms registering trademarks.

Findings/Conclusions: An informed and objective decision on the treaty and proposed legislation cannot be made without complete and accurate estimates of the benefits and increased costs to all parties. The Department, however, did not obtain the data necessary to make such a decision. This data could be obtained from a representative sample of business firms registering domestic and foreign trademarks.

Recommendations: The Secretary of Commerce should require the Commissioner of Patents and Trademarks to undertake a survey designed to elicit needed information from a statistically valid sample of trademark owners and use this information to establish the realizable benefits and probable costs that U.S. business firms and the Government will experience from the proposed legislation.

Agency Comments/Action

The Department has undertaken the development of a marketing research type study to obtain available information from trademark owners.

Appropriations

Salaries and expenses - Department of Commerce, Patent and Trademark Office

Appropriations Committee Issues

In order for the Patent and Trademark Office to adequately cope with the increase in anticipated work, this Office may require additional resources.

DEPARTMENT OF COMMERCE

PATENT AND TRADEMARK OFFICE

Patent and Trademark Fees Need To Be Raised

(CED-78-163, 11-14-78)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Patent Act of 1952 (35 U.S.C. 41). Trademark Act of 1946 (15 U.S.C. 1113). Patent Act of 1975. S. 2255 (94th Cong.). H.R. 13628 (95th Cong.).

During fiscal year 1977, the Patent and Trademark Office (PTO) of the Department of Commerce received 109,773 patent applications and 63,886 trademark applications. The principal fees the PTO charges for its patent and trademark services are prescribed by statute; in 1965. PTO user fees were set by Congress to recover about 74 percent of PTO operating costs.

Findings/Conclusions: Fiscal year 1977 operating costs rose to $87.5 million, and the cost recovery rate fell to 32 percent. If the recovery of costs had been the considered reasonable rate of 74 percent, an additional $37 million would have been collected from patent and trademark users. Statutory fees for individual patent and trademark services need to be increased so that a more reasonable share of the PTO costs may be borne by those using its services. Some individual inventors and small business concerns may not have adequate resources, and higher fees could deter them from obtaining patents and trademarks. The Congress may wish to consider lower fees for independent inventors and small businesses with limited resources.

Recommendations: The Congress should amend the patent and trademark acts to update patent and trademark fees. In the future, the Congress should: establish criteria that will assure a constant overall recovery of a fixed percentage of the PTO operating cost, authorize the Secretary of Commerce to periodically determine and establish revised fees based on the cost recovery criteria established in the law, and specify how frequently fees should be adjusted.

Agency Comments/Action

The Administration has developed legislation to obtain increases in patent and trademark fees. This legislation is under consideration by the Committee on the Judiary, House of Representatives.

Appropriations

Salaries and expenses - Department of Commerce, Patent and Trademark Office

Appropriations Committee Issues

Passage of recommended legislation will provide for a more equitable share of Office costs being borne by users of the services and will enable the Patent and Trademark Office to recover a greater portion of its operating costs for the Government.

DEPARTMENT OF EDUCATION

An Analysis of Concerns in Federal Education Programs: Duplication of Services and Administrative Costs

(HRD-80-18, 4-30-80)

Budget Function: Education, Training, Employment and Social Services (0500)
Legislative Authority: Educational Amendments of 1978 (P.L. 95-561). Elementary and Secondary Education Act of 1965. Indian Education Act. 45 C.F.R. 74.

Concern has been expressed that Federal elementary and secondary education programs duplicate services to students and unnecessarily add to Federal, State, and local administrative costs. Legislation has been proposed to reduce the number of programs through consolidation. To provide Congress insight into these problems and the possible impact of consolidating programs, the regulations, requirements, and services provided to students under Federal education programs were analyzed. Eleven Federal education programs administered by the Office of Education, Department of Health, Education, and Welfare (HEW) and their implementation in 36 local education agencies in six States were reviewed.

Findings/Conclusions: Despite providing similar services under two or more Federal and/or State programs, some local agencies have structured their programs so that duplication of services to students was minimal. Data were not available on the amount of overall administrative costs added because of the number of Federal programs. However, Federal, State, and local education agencies were spending significant amounts on administration. However, State and local education officials could not readily identify specific examples of such additional costs. Consolidation did not appear to be needed to deal with duplicate services to students. Questions concerning the extent that consolidating programs would reduce administrative costs and whether consolidation would jeopardize the level of services targeted to specific groups remain unresolved. Through the Education Amendments of 1978, Congress changed several Federal programs which serve elementary and secondary students to foster a closer coordination between the numerous programs that exist. The full impact of these changes will not be known until they are implemented in fiscal year 1980.

Recommendations: The Secretary of HEW should assist Congress as it deliberates whether or not to consolidate Federal education programs by providing Congress data on how such proposals will specifically reduce administrative costs and/or improve program implementation. The Secretary should also provide Congress information on what consequences could result from implementing consolidation proposals.

Agency Comments/Action

Department of Education officials expressed concern about the need for balance in the report's conclusions and recommendations. Specifically, they were concerned that the conclusions would prematurely end the debate surrounding the consolidation issue. They stated that, while they neither supported nor opposed consolidation efforts, they believed the issue warrants wide-ranging and open discussion. GAO agrees; it is not its intent to end such discussions. In fact, GAO believes that this report will provide the Congress some additional insights into several issues, including consolidation, which will stimulate further analysis.

Appropriations

Elementary, secondary, and vocational education - Department of Education

Appropriations Committee Issues

Due to the myriad of federally financed education programs, there needs to be frequent monitoring to insure that duplication does not occur.

DEPARTMENT OF EDUCATION

Better Cash Management Can Reduce the Cost of the National Direct Student Loan Program

(FGMSD-80-5, 11-27-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Higher Education Act of 1965 (20 U.S.C. 1087aa-ff). National Defense Education Act of 1958 (P.L. 85-864). 31 U.S.C. 484.

The Department of Health, Education, and Welfare (HEW), through its Office of Education (OE), sponsors three student financial aid programs, one of which is the National Direct Student Loan program. This program provides funds to postsecondary schools for making long-term, low-interest loans to students. Before 1970, OE monitored all aspects of the program including the disbursement of funds to schools and the reasonableness of school balances. Since 1970, when HEW transferred disbursing responsibilities to its Federal assistance financing system, OE has not actively monitored the schools' cash balances.

Findings/Conclusions: Schools participating in the loan program have been allowed to hold an annual average of over $63 million in Federal funds in excess of their 30-day needs. GAO estimated that if the Treasury had this money, it could save the Government interest costs as much as $4 million annually. Although OE encourages schools to invest the excess funds in short-term securities, many schools have not done this. Such investments would help offset the Government's cost of borrowing, and their earnings would reduce the Government's expenditures for the program. Because organizational responsibility for cash management has not been clarified, neither OE nor the departmental Federal assistance financing system has an adequate system to effectively monitor school balances. Furthermore, the system does not have controls to prevent schools from obtaining more Federal funds than are needed for current program operations. OE believes that returning excess funds would jeopardize many school loan programs because additional funds might not be available until the next fiscal year if the school underestimates its needs. GAO believes that the program must be flexible enough to provide for such a shortage, but that this can be done while still saving the Government interest costs.

Recommendations: Until the cash management system starts to work properly, the Secretary of HEW should determine which organization can best manage school cash balances and withdrawals and direct the head of that organization to develop and implement effective cash management procedures, including procedures for controlling school cash balances and withdrawals to prevent future excess cash situations at participating schools. The Secretary should also propose legislation providing the Commissioner of Education with 1-year authority to reuse returned excess Federal funds to continue financing the National Direct Student Loan program. In addition, the Secretary should direct the Commissioner of Education to: determine the amount of Federal National Direct Student Loan funds that are in excess of the schools' immediate needs, have schools deposit the excess funds in interest-bearing accounts until the schools are requested to return them to the Treasury, and develop procedures to return funds not immediately needed for loans.

Agency Comments/Action

The Department of Health, Education, and Welfare took action to implement all the recommendations, except the one related to legislation providing the Commissioner of Education with authority to reuse returned excess Federal funds. GAO believes the authority would have been helpful; however, the need for it is no longer an issue, since the related time period for such authority has already passed.

Appropriations

Student assistance - Department of Education

Appropriations Committee Issues

The loan program is now under the new Department of Education. The Committees should inquire into the Department's monitoring efforts for assurance that participating educational institutions are operating with minimal Federal cash balances.

DEPARTMENT OF EDUCATION

Better Reevaluations of Handicapped Persons in Sheltered Workshops Could Increase Their Opportunities for Competitive Employment

(HRD-80-34, 3-11-80)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Rehabilitation Act of 1973 (29 U.S.C. 701). Fair Labor Standards Act of 1938 (29 U.S.C. 214). S. Rept. 93-318. 41 Stat. 735.

The Rehabilitation Act of 1973 requires that the Rehabilitation Services Administration (RSA) reevaluate handicapped persons employed in sheltered workshops on an annual basis to determine their potential for competitive employment. A review was conducted to determine how effectively RSA managed these evaluations.

Findings/Conclusions: With better management oversight, RSA and some States could be more effective in providing maximum competitive employment opportunities for handicapped persons in sheltered workshops. As many as 11,400 handicapped persons were not reevaluated in 1977. Many of the reevaluations that were conducted were not comprehensive, and others were not performed annually as required by Department of Health, Education, and Welfare (HEW) regulations. In addition, it was found that there were no comprehensive guidelines for reevaluation. RSA did not clearly establish headquarters' responsibility for management oversight of reevaluations, assist States in developing a reevaluation process, provide States with instructions needed to implement evaluation in a timely manner, adequately monitor the number of persons receiving reevaluation who were subject to reevaluation under existing regulations, or follow up on States that were not reporting reevaluation. An analysis of national data on sheltered employment procedures and implementing instructions for reevaluations showed that in some States persons were excluded from reevaluation because of the timing of their placement in workshops or because of their job classifications as assigned by individual States.

Recommendations: The Secretary of HEW should direct the Commissioner of RSA to: (1) clarify headquarters responsibility for managing the reevaluation program and provide regional offices with the guidance needed to assist States; (2) revise guidelines to require that reevaluations be performed for all former vocational rehabilitation clients in sheltered employment; (3) revise guidelines to clearly establish that reevaluations should be continued so long as the handicapped persons remain in sheltered employment, and provide additional guidance to States regarding the conditions under which limited scope reevaluation may be warranted; (4) require the States to develop and report the number of persons requiring reevaluation; (5) review and test State reports to learn whether they are reliable, why some States are more successful in achieving movement to competitive employment, how reevaluation aided the movement, and why some States are not reporting reevaluations; (6) monitor State procedures and provide assistance to assure that annual reevaluations are made and that they are comprehensive and timely; and (7) identify States which did not reevaluate clients placed in sheltered employment before reevaluation procedures were implemented and require that any such persons still in sheltered employment be reevaluated.

Agency Comments/Action

Agency comments and actions will be provided upon the performance of followup work.

Appropriations

Special education and rehabilitation services - Department of Education

Appropriations Committee Issues

To enable the maximum number of handicapped individuals working in sheltered workshops to ultimately obtain competitive employment the Committees should assure that the mandated reevaluation of a sheltered workshop employee's potential for competitive employment is conducted.

DEPARTMENT OF EDUCATION

Federal Program To Strengthen Developing Institutions of Higher Education Lacks Direction

(HRD-78-170, 2-13-79)

Budget Function: Education, Training, Employment and Social Services: Higher Education (0502)
Legislative Authority: Higher Education Act of 1965 (20 U.S.C. 1051 et seq.). Higher Education Amendments of 1968 (P.L. 90-575). Education Amendments of 1972 (P.L. 92-318). Education Amendments of 1974 (P.L. 93-380).

GAO reviewed the Strengthening Developing Institutions of Higher Education Program implemented by the Office of Education under title III of the Higher Education Act of 1965. The program was planned to make grants to institutions which are struggling for survival and isolated from the main currents of academic life, so they might contribute to U.S. educational resources if they have the desire and potential.

Findings/Conclusions: More than 800 institutions participated in the program between 1966 and 1977, exhausting appropriations exceeding $700 million, most of which was allocated to small institutions serving primarily minority or low-income students. There was no evidence of improvement among the institutions in the program: in fact, none of the institutions has graduated from title III status, including 120 which have received funds for at least 8 years. Questions persist regarding the program's intended beneficiaries, the method of assistance, and program objectives.

Recommendations: Criteria for determining eligibility, selecting participating institutions, and establishing institutional responsibilities should be strengthened so that the most deserving institutions receive funding, funds are accounted for, and institutions approach established goals. The Office of Education should expand its monitoring of grant awards to measure the success of the program. The Commissioner of Education should fix eligibility criteria for institutions to be served and determine what services are needed; apply these criteria in selecting institutions; provide institutions with guidelines for administering grant funds, obtaining technical services, and evaluating program results; and emphasize long-range planning and coordination needs of various title III projects. The Commissioner should also apply grantee selection procedures, refine grant application review procedures, and ensure that reviewing field readers are free of conflicts of interest. Field visits should be employed to monitor institutions more closely, and audit exceptions should be promptly resolved. The relationships between grantee institutions and the "assisting agencies" which service them should be clarified in the interest of increased competition. Congress should consider terminating the title III program. If the program is to be continued, its intent should be clarified to show which institutions should be served and the goals to be achieved.

Agency Comments/Action

Agency statements submitted to congressional committees on actions taken showed revisions to the comments that appeared in the final report. HEW concurred with the major recommendations and had taken or planned to take steps to implement them. HEW believes that new regulations issued in May 1979 will correct certain problems noted by GAO. While GAO agrees that the regulations might result in some improvements in the administration of the title III program, it is not clear that these revised regulations will be more adequate than the regulations in effect when GAO made its review in assuring that those institutions intended to benefit by the law receive title III support. New legislation has been introduced to further define a developing institution.

Appropriations

Higher education - Department of Education, Bureau of Higher and Continuing Education

Appropriations Committee Issues

The operating problems and the more basic problem of adequately defining a developing institution are so fundamental and pervasive that we believe the program as presently structured is largely unworkable. Therefore, Congress should first determine whether or not the title III program should be continued. If it decides that the program should continue, it needs to clarify the program's intent to show which institutions should be served and the goals these institutions should achieve.

DEPARTMENT OF EDUCATION

Financial Statements of the Student Loan Insurance Fund
(HRD-78-165, 9-8-78)

Budget Function: Education, Manpower, and Social Services. Higher Education (0502)
Legislative Authority: Higher Education Act of 1965.

Since 1968, GAO has issued seven reports to the Congress on the financial aspects of the Student Loan Insurance Fund. Many deficiencies in the Office of Education's accounting and computer systems were noted, including the following: (1) major accounts were unsupported by subsidiary records; (2) the allowance for loss rates for defaulted loans purchased, accrued interest, and claims-in-process was not based on actual program experience; and (3) the automated computer systems needed to provide accurate information for the Fund's financial statements were not functioning properly. A limited review of the Fund's financial transactions and operations for fiscal years 1976 and 1977 disclosed that these deficiencies remain uncorrected. No opinion was rendered since the poor condition of accounting records and lack of adequate internal control procedures would have necessitated additional time-consuming work. The Department of Health, Education, and Welfare should develop a plan of action that will detail the steps needed to improve the Fund accounting controls and procedures and the computer system that provide data for the Fund and the management of the Guaranteed Student Loan Program.

Agency Comments/Action

In April 1979 a new contractor assumed technical responsibility for the Guaranteed Student Loan Program data processing and systems support. Agency officials stated that due to the change in contractors it was not possible to provide a specific timetable of proposed actions, although it was expected that system improvements to correct prior deficiencies would be initiated.

Appropriations

Higher education - Department of Education, Bureau of Student Financial Assistance

Appropriations Committee Issues

Approximately $50 million has been spent on automated computer systems which have not provided accurate information needed for financial statements and program operations. The present system is not working and there is uncertainty about the development of future systems. Additional funds for new computer systems should not be provided until the Office of Education is able to develop specific plans on how it will overcome current data problems.

DEPARTMENT OF EDUCATION

The Law Enforcement Education Program Is in Serious Financial Disarray

(FGMSD-80-46, 6-4-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Federal Claims Collection Act of 1966. Omnibus Crime Control and Safe Streets Act of 1968 (P.L. 90-351). B-198096 (1980).

Since 1969, the Law Enforcement Education Program (LEEP) made over $278 million in loans and grants without adequate management controls. The program was originally established by Congress in 1968 with the purpose of assisting those working in law enforcement or planning to work in law enforcement to obtain a higher education. Under the program, grants and loans are made to individuals enrolled in law enforcement or criminal justice courses at almost 1,000 junior colleges, colleges, and universities. The grants and loans are forgiven (canceled without repayment) if the recipient works for a publicly supported law enforcement or criminal justice agency for a specified period. Otherwise, the recipient must repay the grant or loan with interest.

Findings/Conclusions: A review of LEEP showed that it has suffered financial and administrative breakdowns because of inadequate controls and inaccurate records. GAO estimates that: (1) 84 percent of the billed recipients did not pay; (2) $18.2 million currently owed LEEP will not be collected; (3) about $2 million that should have been collected was not collected during one quarter of fiscal year 1977; and (4) about 90 percent of the bills to recipients were incorrect. Additionally, GAO found that: (1) payment checks were not promptly deposited and were poorly controlled from the day received until they were deposited in the Federal Reserve Bank; (2) accounting controls for returned certifications were inadequate; (3) forgiveness was granted for employment with agencies which have little to do with criminal justice; (4) loans and grants were not accurately recorded or reported to the Treasury Department; and (5) management did not effectively monitor the schools' performance and compliance with regulations. Consequently, in 1979, the Comptroller General approved the design of a new Law Enforcement Education Program accounting system. The new system should correct many of the accounting problems.

Recommendations: The Secretary of Education should promptly implement the new Law Enforcement Education Program accounting system and see that: (1) computer programs are changed to correct the billing and forgiveness problems, and are fully documented; (2) bills are sampled and reviewed periodically until full reliance can be placed on the computer; (3) grant recipients who do not certify employment are billed; (4) a comprehensive and aggressive collection program is adopted; (5) procedures are established for controlling and processing payments; (6) procedures for estimating allowances for uncollectible accounts, writing off bad debts, and estimating unrecorded grants and loans are established; and (7) the schools' implementation of program guidelines is better monitored.

Agency Comments/Action

The Department of Justice generally agreed with GAO findings and recommendations. Some corrections were made before the program was transferred to the Department of Education in May 1980.

Appropriations

Student loan insurance - Department of Education, Office of Postsecondary Education

Appropriations Committee Issues

In providing funds for LEEP, the Committees should require the Department of Education to show that it is making creditable progress in establishing needed controls over grants and loans made to individuals taking college courses in law enforcement and criminal justice.

DEPARTMENT OF EDUCATION

Student Loan Insurance Fund

(HRD-80-12, 10-25-79)

Budget Function: Education, Training, Employment and Social Services: Higher Education (0502)
Legislative Authority: Higher Education Act of 1965 (20 U.S.C. 1001).

The Student Loan Insurance Fund is used to finance Federal insurance and reinsurance of loans made under the Guaranteed Student Loan (GSL) program. Previous reports have discussed the inability of the Office of Education's accounting and computer systems to provide accurate information for the Fund's financial statements and program operation. Although efforts are under way to improve the GSL accounting and computer systems, many problems remain unresolved.

Agency Comments/Action

The Bureau of Student Financial Assistance (BSFA) stated that, because of the change in contractors, no specific timetable of proposed actions could be provided, and GAO was advised that an audit of the Fund at the time would simply disclose that previous deficiencies remain uncorrected. BSFA and the new contractor will have to correct deficiencies discussed in the prior reports before reliable information necessary to administer the program and detailed accounting records needed to support the GSL financial statements can be developed and an audit can be made.

Appropriations

Higher education - Department of Education

Appropriations Committee Issues

The Department of Education's (ED) Guaranteed Student Loan Fund is still experiencing serious problems with its computerized accounting system. ED has been attempting to improve this system, but many problems remain. GAO has deferred its audit of the Fund until these problems are resolved.

DEPARTMENT OF EDUCATION

SPECIAL EDUCATION AND REHABILITATION SERVICE

A Single Federal Authority Is Needed for Establishing or Constructing Rehabilitation Facilities

(HRD-79-84, 8-23-79)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Rehabilitation Act of 1973.

The vocational rehabilitation program administered by the Department of Health, Education, and Welfare is to prepare the handicapped for employment. Legislation authorizes different Federal funding rates for State construction and establishment of rehabilitation facilities for the handicapped. This report discusses problems with using rehabilitation program funds for such facilities.

Findings/Conclusions: Overlapping criteria have resulted in problems and inconsistencies with project funding. Although the Rehabilitation Services Administration, Department of Health, Education, and Welfare (HEW) has issued policy interpretations for issues raised by State agencies, officials are not always aware of all of them since they are not routinely distributed. GAO found that State agencies stretched or ignored guidelines to approve projects for establishment funding, thus enabling them to obtain increased Federal funding. State rehabilitation agencies reviewed had not developed effective administrative procedures for controlling funds. The lack of adequate fiscal controls by some State agencies often resulted in inaccurate expenditure reporting to HEW, and improper or questionable expenditures being made by the rehabilitation facilities.

Recommendations: The Secretary of HEW should direct the Commissioner of the Rehabilitation Services Administration (RSA) to: review the expenditures for establishment and construction and make every reasonable effort to recover from State rehabilitation agencies Federal funding which did not clearly comply with Federal regulations and program requirements; establish a systematic process to assure that all Federal policy interpretations are forwarded and maintained by each RSA regional office and State agency; require the RSA regional staff to provide guidance and leadership to State agencies so that States implement adequate procedures and controls; and require the regional staff to monitor the adequacy of State agencies' procedures and controls, to assure the proper use of basic program funds. Pending consideration of the recommendation made by GAO to Congress that a single authority be developed, the Commissioner of RSA should revise the Federal regulations and program guidelines to: provide detailed instructions to State vocational rehabilitation agencies to help them implement the changes in the construction and establishment authorities made by the 1973 Act, as amended; and identify and clearly differentiate between the types of activities eligible for funding under each authority. Congress should amend the Rehabilitation Act of 1973 to create a single Federal authority for authorizing the States' use of basic program funds to: (1) construct new buildings; (2) acquire, expand, remodel, alter, or renovate buildings; and (3) pay for rehabilitation facility staff. The Congress should also maintain the provision in the 1973 Act that requires the Hill-Burton formula for determining the Federal share for construction activities. The term "Federal share" should be amended to make the Federal funding rate for staffing under Title I consistent with staffing rates under Title III of the 1973 Act. If Congress decides to maintain the separate funding authorities in the 1973 Act, GAO recommends that the Act's present restriction for construction (limiting Federal funding to 10 percent of the State's annual Federal funding for the vocational rehabilitation program) be revised to limit activities under both the construction and establishment authorities to 10 percent of a State's allotment.

Appropriations

Rehabilitation facilities - Department of Education, Special Education and Rehabilitation Service

Appropriations Committee Issues

Many improvements in program administration by DOE and State rehabilitation agencies and in services to handicapped individuals can be realized if the Rehabilitation Act of 1973 is amended to create a single authority and uniform matching requirements for State rehabilitation construction and establishment projects.

DEPARTMENT OF ENERGY

Cleaning up Commingled Uranium Mill Tailings: Is Federal Assistance Necessary?

(EMD-79-29, 2-5-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)

Legislative Authority: Atomic Energy Act of 1946. Atomic Energy Act of 1954. Uranium Mill Tailings Radiation Control Act of 1978 (P.L. 95-604).

Until recently, commingled uranium mill tailings were believed to be of such low radiation that they were not considered harmful to the public. As a result, the tailings were often left in uncontrolled piles. Recent concern about the possible adverse effects of low-level radiation over long periods of time prompted the request that GAO determine whether Federal assistance should be provided to active mills to clean up the mill tailings.

Findings/Conclusions: Cleaning up all of the commingled tailings would have the advantages of reducing a possible health hazard and taking another step toward resolving some of the problems of safely disposing of radioactive wastes. Offsetting these advantages, however, are some strong disadvantages. The cleanup costs could go as high as $315 million using current technology. Further, the cleanup program could be considered as an additional precedent for cleaning up other nuclear facilities, which would be a far more costly endeavor. This is extremely important because the question of who should pay for cleaning up nuclear facilities has not yet been fully considered, primarily because very little decommissioning of these facilities has been done to date. In GAO's view, the most significant factor in favor of providing Federal assistance in cleaning up commingled tailings pertains to the Federal Government's role in creating the mill tailings situation.

Recommendations: In order to assure that the uranium mill tailings are controlled in a safe and environmentally sound manner, the Congress should provide assistance to the active mill owners to share in the cost of cleaning up that portion of the commingled mill tailings that were generated under Federal contracts. These are the tailings for which the Federal Government has a strong moral resonsibility. The Congress should also consider having the Federal Government assist those mill owners who acted in good faith in meeting all legal requirements pertaining to stabilization of the mill tailings that were generated for commercial purposes and for which the Federal Government, through the Nuclear Regulatory Commission, is now requiring retroactive stabilization. At the same time, however, Congress should make clear that this establishes no precedent for the Federal Government assuming the financial responsibility of cleaning up other non-Federal nuclear facilities and wastes, including those mill tailings generated after the date when the Federal Government notified industry that the tailings should be controlled.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The Congress should provide assistance to active mill owners to share the cost of cleaning up mill tailings produced under Federal contract. The Congress should consider having the Federal Government assist mill owners who meet legal mill tailings control requirements, particularly those with commercially-generated mill tailings for which the Federal Government is now requiring retroactive remedial action.

DEPARTMENT OF ENERGY

Commercializing Solar Heating: A National Strategy Needed

(EMD-79-19, 7-20-79)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Price-Anderson Act (Atomic Energy Damages) (42 U.S.C. 2210). Rural Electrification Act (7 U.S.C. 901). National Energy Conservation Policy Act of 1978 (P.L. 95-619). Public Utility Regulatory Policies Act of 1978 (P.L. 95-617). Energy Tax Act of 1978 (P.L. 95-618). Powerplant and Industrial Fuel Use Act of 1978 (P.L. 95-620). Natural Gas Policy Act of 1978 (P.L. 95-621). Solar Heating and Cooling Demonstration Act of 1974 (P.L. 93-409).

Solar heating systems warrant particular attention because of their advanced position of being economically and technically accepted relative to other solar technologies. Solar heating devices also have a large potential for use since more than 40 percent of the Nation's energy is used for heating purposes. Although the technical feasibility of using solar heating for a wide range of residential, commercial, and industrial applications is well established, many constraints tend to discourage consumers and businesses from investing in solar heating equipment. These constraints include economic, institutional, regulatory, and legal constraints, as well as a lack of consumer protection. The National Energy Act (NEA) contains provisions aimed at encouraging the use of solar heating systems. These include a non-refundable income tax credit for individuals who install solar equipment in their principal residence, business tax credits for investments in solar equipment, a $100-million program to provide support for loans to owners of family dwellings who install solar heating and cooling equipment in their residential units, and a $100-million program for demonstrating solar devices in Federal buildings.
Findings/Conclusions: Both Federal and many State Governments are working to remove one or more constraints. State efforts have emphasized financial incentives and many have enacted legislation aimed at removing the legal constraints. The Federal Government's activities have generally focused on: (1) developing standards governing the design, installation, and performance of solar heating systems; (2) cooperating with industry in developing a certification process to verify how well solar equipment meets existing standards; (3) developing model legislation and codes; and (4) creating a network of regional solar energy centers. However GAO found that State and Federal efforts have not yet evolved into a comprehensive and uniform approach to effectively encourage the use of solar heating systems. The tax credit provisions of the NEA are likely to have their biggest impact on encouraging the use of solar water heaters for residential use. But because of their high cost and economic drawbacks, the use of other solar heating applications are not expected to have as much of an impact. The other provisions of the NEA will not be nearly as significant as what is expected to result from the tax credits. Overall, if successful, the initiatives enacted under the NEA should greatly expand the solar industry. However, in terms of energy saved or replaced by 1985, the impact will not be large. Furthermore, there is a need for a clearly defined national commercialization strategy for solar heating systems.
Recommendations: The Secretary of Energy should: (1) establish a detailed commercialization strategy for solar heating systems, which should identify, and indicate how best to overcome, constraints to using the systems, as well as clearly delineating the roles and responsibilities of the Federal, State, and local governments and industry in commercializing the systems with specific goals and time frames for overcoming these constraints; and (2) work together with State and local governments in implementing the components of the strategy and establish procedures and guidelines for providing informational and other appropriate assistance to the States.

Agency Comments/Action

DOE did not take exception to GAO's conclusions and recommendations. While GAO was preparing its final report for publication, the President, in a message to the Congress dated June 20, 1979, outlined major elements of a national solar strategy. This strategy sets forth a goal for solar energy use and includes legislative proposals and directives for various Federal agencies aimed at achieving that goal. DOE stated that it has developed a national commercialization strategy for solar energy systems. However, GAO could not find any evidence that a detailed national solar heating commercialization strategy has been developed.

Appropriations

Operating expenses and capital acquisition - Department of Energy
Energy supply, research, and development activities, operating expenses - Department of Energy

Appropriations Committee Issues

The Department of Energy should present its strategy document, or a report on its status, for solar heating systems to the Appropriations Committees during their consideration of requests for funds for solar heating systems.

DEPARTMENT OF ENERGY

Concerns Over the Department of Energy's Program and Organization for Developing and Promoting the Use of Alcohol Fuels

(EMD-80-88, 7-22-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Energy Security Act (P.L. 96-294). S. 932 (96th Cong.).

A recent review of the potential of alcohol for use as fuel for motor vehicles resulted in concern over the Federal efforts at exploiting this potential.

Findings/Conclusions: The Department of Energy (DOE) has yet to develop a comprehensive program for alcohol fuels, including appropriate plans, goals, and strategies. The effectiveness of the recently created DOE Office of Alcohol Fuels may be impaired due to limitations on its span of authority and responsibility and, relatedly, on the level to which the Office reports. While ethanol is currently being produced, the potential of methane from coal is not being considered by this Office. The technology to produce both fuels is available. Both fuels can have a significant role in resolving the Nation's liquid fuels shortage.

Recommendations: The Secretary, DOE, should establish a comprehensive and balanced program for alcohol fuels and develop a definitive program plan setting forth appropriate commercialization goals, milestones, and strategies for both ethanol and methanol. He should also ensure that, from an organizational standpoint, methanol from coal is brought into the mainstream of those activities aimed at promoting the development and use of alcohol fuels. This can be accomplished by establishing an integrating mechanism, such as a standing committee chaired by the director of the Office of Alcohol Fuels and, assigning responsibility for coordinating those alcohol fuels activities that currently do not come within the purview of that Office. Regardless of the integrating mechanism used, the Office should be required to report directly to the Secretary or the Under Secretary of DOE.

Agency Comments/Action

Agency comments had not been received as of the date that this report was prepared.

Appropriations

Energy supply, research and development activities, operating expenses - Department of Energy

Appropriations Committee Issues

DOE needs a comprehensive program for developing alcohol fuels, including appropriate plan, goals, and strategies.

DEPARTMENT OF ENERGY

Cost To Retire Uranium Enrichment Facilities Should Be Included in Current Uranium Enrichment Charges

(EMD-79-94, 9-6-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2001). Legislative Reorganization Act of 1970. P.L. 95-91.

GAO has maintained an interest in the Department of Energy (DOE) uranium enrichment pricing policies and procedures. DOE, the sole supplier of enriched uranium in the United States, has three enrichment plants in operation with a fourth scheduled to begin operation in the late 1980's. Eventually these plants will be retired. According to the former Energy Research and Development Administration, the costs to restore the plant areas to their original conditions were estimated to be up to 5 percent of the capital investments in the plants, or about $570 million. This would add about $1.50 per unit of enriching services to the current DOE price of about $89 per unit, and increase the average cost of electricity to consumers by 3 mills per kilowatt hour.

Findings/Conclusions: DOE has no firm estimates available concerning the future cost of decontaminating and decommissioning its uranium enrichment facilities, and has indicated that, given the current capital improvement program at existing facilities, it does not expect to evaluate these costs any time in the forseeable future. It is depreciating the three existing plants through the year 2000, implying that their useful life could end as of that year. GAO believes that the Secretary of Energy should take the necessary steps to see that commercial customers' share of the estimated cost of retiring these uranium enrichment facilities is recovered in the current DOE charge for uranium enrichment services by adding a reasonable charge to its current enrichment service prices.

Recommendations: The Secretary of Energy should prepare detailed estimates of the future cost of decommissioning and decontaminating the Nation's uranium enrichment facilities; modify the DOE criteria for enrichment services charges to include a charge for enrichment plant decommissioning and decontamination costs; and request any legislative authority needed to permit DOE to include future uranium enrichment plant decommissioning and decontamination costs in its present charges for uranium enrichment services.

Agency Comments/Action

The Department of Energy disagreed with the recommendations and has taken no action.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The Committees should direct DOE to charge the current users of uranium enrichment services for the cost of decommissioning and decontaminating the facilities that are now providing the services.

DEPARTMENT OF ENERGY

Delays and Uncertain Energy Savings in Program To Promote State Energy Conservation

(EMD-80-97, 9-2-80)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Conservation and Production Act (P.L. 94-385; 42 U.S.C. 6892). Energy Policy and Conservation Act. Department of Energy Organization Act (42 U.S.C. 7154). National Energy Conservation Policy Act (P.L. 95-619). Energy Security Act (P.L. 96-294).

As required by Federal legislation, a review was undertaken of the State Energy Conservation Program (SECP) for 1978. The legislation specifically requires GAO to review the four program aspects: program effectiveness, energy savings, financial controls, and compliance monitoring, and to report its findings to Congress annually for fiscal years 1977, 1978, and 1979. In the second annual report covering activities through 1978, SECP implementation in four Department of Energy (DOE) regional offices and eight States were reviewed.

Findings/Conclusions: The goal of SECP is to reduce the energy consumption of each State by about five percent by 1980. However, the program has been hampered by long delays in enacting required State legislation, slippages in milestone dates, and reductions in scope in many State program measures. Although reported energy savings for 1978 were 13 percent of the goal, GAO did not believe that the goal would be attained by 1980. It believed that the reported savings were overstated and not a valid measure of the actual savings. Deficiencies were identified in the financial and program reporting systems used in the SECP which must be corrected before the States and DOE can effectively monitor and manage the program. To adequately administer, control, and measure the success of the SECP, DOE needs to monitor and compare program results with program expenditures. However, States were not asked to submit financial data in a format which would allow for comparing program results with expenditures. Progress was difficult to assess because the content and format used by the States in their progress reports varied. Monitoring activities in the regional offices visited were hindered by insufficient staff.

Recommendations: The Secretary of DOE should: reassess the compliance determinations for those States considered to be in compliance with the mandatory SECP requirements, especially mandatory thermal and lighting standards. In cooperation with the States, the Secretary should reevaluate both mandatory and optional program measures in order to (1) determine if changes and improvements are needed in their scope to make them attainable, (2) establish program measure goals and milestones that are realistic and attainable, and (3) revise State plans and goals accordingly. The Secretary should provide specific guidance and technical assistance needed by the States to estimate and measure both projected future and actual savings as a result of the program. Based on the reevaluation of the scope and progress of State plans and program measures recommended above, the Secretary should work with the States to revise their energy savings goals. Further, the Secretary should assure that the States implement the DOE monitoring system, when approved by the Office of Management and Budget, to provide DOE with the following assurances: financial systems at the State level are sufficient to provide accurate cost information by program measure; and progress reporting by the States is in sufficient detail to provide accurate, consistent, and complete information on the status of each program measure. Finally, the Secretary should review with the States the Federal requirements concerning the use of Federal funds, focusing on letter of credit procedures.

Agency Comments/Action

Comments have not been received from DOE regarding planned actions.

Appropriations

Department of Energy and related agencies

Appropriations Committee Issues

Before the program can reach its true potential, DOE must make a number of improvements in its management.

DEPARTMENT OF ENERGY

The Department of Energy's Development of a 10-Year Plan for Energy Conservation in Federal Buildings

(EMD-78-89, 7-20-78)

Budget Function: Natural Resources, Environment, and Energy: Energy (0305)
Legislative Authority: Energy Policy and Conservation Act of 1975 (P.L. 94-163). National Energy Act. Executive Order 11912. Executive Order 12003. OMB Circular A-94.

The Energy Policy Conservation Act, enacted in 1975, required the President to develop and implement a 10-year plan for energy conservation on buildings owned or leased by the Federal Government. The Department of Energy (DOE) has the responsibility, originally delegated to the Federal Energy Administration, for development of the plan. As of June 1978, DOE still had no document which can be called "the 10-year plan." Although the original draft plan prepared in June 1977 would have substantially met requirements of the act, it has been discarded, and DOE is now trying to place much of the development burden on other executive agencies. This approach will probably result in a plan that will not be as comprehensive as the original draft plan. Also, DOE is delaying issuance of guidelines pending passage of the proposed National Energy Act. Energy used in the 399,000 buildings owned and operated by the Federal Government amounts to about 39 percent of the energy used by the Federal Government. The Secretary of Energy should: (1) focus DOE efforts to develop a 10-year plan along the original lines; (2) reevaluate the response to recommendations contained in a previous report and incorporate items recommended into the plan; and (3) evaluate the existing Federal Energy Management Program structure in terms of its responsibilities and funding level to assure that the program is able to provide effective leadership and management of Federal energy conservation efforts.

Agency Comments/Action

The Department of Energy said the development of the 10-year plan has been held up pending passage of the National Energy Act so that provisions of the Act relating to Federal buildings can be incorporated. DOE said that, in developing the plan, it will draw on the works performed in the original draft plan that was developed. It anticipates that the plan will be available in 1979.

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

The Department of Energy should aggressively pursue the development of the 10-year plan for energy conservation in Federal buildings. The Federal Government owns and operates over 399,000 buildings. The energy used in these buildings amounts to about 39 percent of the energy that is used by the Federal Government. With an energy use of this magnitude, the need for developing a comprehensive plan to fulfill the requirements of the EPCA becomes clear. Information available in July 1980 indicates that the 10-year plan will not be available until October 1980.

DEPARTMENT OF ENERGY

Effects in Washington, D.C., Area of 1979 Gasoline Shortage: Supplies Less Than National Average; Price Increases Comparable

(EMD-80-70, 6-24-80)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Emergency Petroleum Allocation Act of 1973.

During the 1979 gasoline shortage, Washington, D.C., metropolitan area motorists had to sit in lines at service stations and were forced to change their driving habits. Other locations across the Nation, however, had less severe gasoline supply problems. Consequently, a review was requested to determine the causes of the 1979 gasoline shortage in Washington, D.C., the levels in the marketing system where price increases occurred, and the effectiveness of the Department of Energy's (DOE) response to the situation. **Findings/Conclusions:** In its review, GAO found that during the first 7 months of 1979, the Washington, D.C., area received proportionately less gasoline than the Nation as a whole. The principal reason for this difference was that the Washington, D.C., area suppliers had less gasoline available for delivery than the national average for all suppliers. Additionally, GAO found that the Washington, D.C., area suburbs did not always receive a proportionate amount of State set-aside supplies. DOE and the oil companies have the authority to transfer specific amounts of gasoline from one area to another to correct regional supply imbalances. However, neither of these entities exercised this authority to address the Washington, D.C., area shortage. Nor has DOE developed overall criteria and guidelines to determine when an area has a supply imbalance which requires the expeditious use of DOE authority. Further, GAO found that the principal cause of increased retail gasoline prices in the Washington, D.C., area during March through July 1979 was an increase in refiners' prices. Most of this increase can be attributed to the companies' cost of crude oil, which went up an average of 12.6 cents a gallon during this period. Despite these increases, average prices of gasoline in the Washington, D.C., area during July 1979 were less than the national average price. Also, it appears that some of the costs which were allowed to be passed through by the DOE gasoline tilt rule were put in the refiners' cost banks. This raises questions as to whether the objectives of the tilt rule were met. **Recommendations:** The Secretary of Energy should: establish appropriate criteria and guidelines so that DOE can expeditiously use its discretionary authority to direct companies to shift supplies to areas where supply imbalances occur in future shortage situations; work with State and local government agencies to identify areas experiencing supply imbalances; determine exactly how the gasoline tilt rule has been working, with specific emphasis on the rule's stated objectives; determine whether the tilt rule has caused the significant increase in gasoline cost banks; and determine whether revisions to the tilt rule are needed.

Agency Comments/Action

By letter dated September 12, 1980, DOE commented on the GAO report. Although DOE said it is working to improve the quality of its databases for determining where supply imbalances occur, it did not state whether or not it is implementing the recommendation concerning the establishment of appropriate criteria and guidelines to be used to redirect gasoline supplies to cover supply imbalances. Also, DOE declined to implement the recommendation concerning whether the gasoline tilt rule has been working as planned. DOE said that such a study could probably not be completed before the termination of the Emergency Petroleum Allocation Act on September 30, 1981.

Appropriations

Energy operating expenses and capital acquisitions - Department of Energy

Appropriations Committee Issues

The Committees should monitor the implementation by DOE of the recommendations in the report.

DEPARTMENT OF ENERGY

Energy Conservation: An Expanding Program Needing More Direction

(EMD-80-82, 7-24-80)

Budget Function: Energy: Energy Conservation (0272)

Legislative Authority: Legislative Reorganization Act of 1970. Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385). Department of Energy Organization Act (P.L. 95-91).

Since 1977, the administration has repeatedly emphasized the importance of conservation to a national energy policy. Department of Energy (DOE) officials have stressed that conservation is the administration's highest priority energy program. Congress has also recognized the need to move the Nation toward greater energy efficiency through the passage of three major pieces of energy conservation legislation. However, a lack of consistent, specific planning and direction from the Federal Government in the energy conservation area has limited the success of the Nation's efforts to conserve energy.

Findings/Conclusions: The establishment of energy conservation goals and the development of a comprehensive plan is urgently needed for DOE to provide the leadership required to move the Nation toward using energy more efficiently. Although the Department has indicated its agreement with previous GAO recommendations, the Nation still has no clear conservation goals or a comprehensive plan to meet those goals. The lack of such goals and a plan to meet them continues to convey the impression that the Federal Government is taking a leisurely approach to promoting conservation. The development of a comprehensive plan based on long-term goals would send a signal to the public that the Federal Government is seriously committed to energy conservation, and that Federal conservation efforts are a part of a well thought out, cohesive national strategy rather than random activities.

Recommendations: The Secretary of Energy should: use the National Energy Plan III process to develop a long-range national energy policy to provide a framework for the subsequent development of energy conservation goals; establish conservation goals which articulate conservation's contribution in the near, mid, and long term toward satisfying domestic energy needs, reducing the level of oil imports, and providing for the incremental transition to renewable energy resources; develop a comprehensive national conservation plan which lays out the specific Federal actions required to achieve conservation goals and established milestones, and a system for monitoring progress toward meeting those goals; and spell out the leadership role of DOE for coordinating the actions of other Federal agencies and ensuring the success of the plan. In addition, the Secretary should consider establishing a Domestic Policy Review for energy conservation in order to establish overall goals and develop a meaningful plan.

Agency Comments/Action

Comments have not been received from DOE regarding planned actions.

Appropriations

Policy, planning, and evaluation - Department of Energy

Appropriations Committee Issues

DOE should establish conservation goals which articulate conservation's contribution in the near, mid, and long term toward satisfying domestic energy needs, reducing the level of oil imports, and providing for the incremental transition to renewable energy resources. DOE should then develop a comprehensive national conservation plan which lays out the specific Federal actions required to achieve conservation goals, establish milestones, and create a system for monitoring progress toward meeting those goals.

DEPARTMENT OF ENERGY

Energy Health and Safety Issues Need a Coordinated Approach
(EMD-80-52, 7-24-80)

Budget Function: Health: Health Planning and Construction (0554)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). National Environmental Policy Act of 1969 (P.L. 91-190). Department of Transportation Act (P.L. 89-670). Natural Gas Pipeline Safety Act of 1968 (P.L. 90-481). Hazardous Materials Transportation Act (P.L. 93-633). Pipeline Safety Act of 1979 (P.L. 96-129). Natural Gas Act (P.L. 75-688). Submerged Lands Act (P.L. 83-31). Outer Continental Shelf Lands Act (P.L. 83-212). Mine Safety and Health Amendments Act of 1977 (Federal) (P.L. 95-164). Clean Air Act Amendments of 1970 (P.L. 91-604). Advisory Committee Act (Federal) (P.L. 92-463).

Several energy-related accidents have heightened public concern about the effectiveness of the Government's role in energy health and safety. Numerous agencies are involved in regulating energy health and safety, and for the most part, they regulate independently of each other. The Federal Government has not developed a coordinated approach to examine broad conceptual issues, such as the energy health and safety, economic, and environmental trade-offs of the various energy decisions. The potential for duplication of effort, lack of coordination, and gaps in regulatory coverage increases. Some interagency groups and individual agency efforts are working to alleviate some of the problems, but no mechanism has been formulated to coordinate the overall energy health and safety issues and programs. Broad policy issues which should be addressed involve the definition and focus of energy health and safety, the relationship among energy health and safety regulations, economic energy regulations and environmental concerns, and the identification of activities and policies in place at the various levels of government and the intergovernmental relationships. Further study of the issues is warranted. A centralized focus on all energy health and safety regulatory activities would be the best way to evaluate these issues. It would increase coordination, communication, and cooperation among agencies, identify and correct gaps in energy health and safety regulatory coverage, institutionalize energy health and safety, and provide a means by which to evaluate and analyze energy use trade-offs. Four options which could have all or most of the advantages discussed above are: establishing a new agency, creating an interagency forum, instituting a lead agency concept, or establishing an independent commission.
Findings/Conclusions: A GAO analysis of the options indicates that at this time an independent commission would be the best means to provide a centralized focus on energy health and safety issues. An independent commission would be relatively inexpensive and easy to establish, reorganize, and abolish. In addition, the disadvantages of establishing an independent commission appear to be less severe than those of the other three options.
Recommendations: Congress should establish a President's Commission on Energy Health and Safety. It should mandate that the Commission be established as an independent body free from agency influence; consist of a small number of members appointed by the President; have an executive directorate, a relatively small staff, and an appropriate number of support staff; expire at the end of 5 years if not renewed by Congress; conduct high-level assessments and syntheses of energy health and safety issues inherent in the research, development, and regulation of energy at the Federal level; report to the President and Congress on its findings, conclusions, and recommendations concerning Federal energy health and safety affairs, and report on actions that were taken by the appropriate agencies, based on the recommendations that the Commission made, to ensure that significant energy health and safety issues are brought to the attention of officials at the highest level of government; and make recommendations for actions to the President, Congress, and appropriate Federal agencies.

Agency Comments/Action

No agency comments or actions were required.

Appropriations

Energy operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The recommendation that the Congress establish a President's Commission on Energy Health and Safety should reduce the potential problems of duplication of effort, lack of coordination, and gaps in regulatory coverage of the energy health and safety issue.

DEPARTMENT OF ENERGY

Evaluation of the Department of Energy's Office of Inspector General

(EMD-80-29, 11-28-79)

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Inspector General Act of 1978. Energy and Water Development Act (P.L. 96-69). OMB Circular A-73.

GAO was requested to review the process and procedures in the Department of Energy's (DOE) Inspector General Office with regard to that office's planning, audit coverage, audit followup, and staffing. The DOE Office of Inspector General, created by the Department of Energy Organization Act, is required to coordinate, supervise, and conduct investigations and audits of all DOE internal activities to ensure honesty and efficiency. These activities are coordinated, when necessary, with other Federal, State, and local agencies and nongovernment entities. The Office also recommends corrective actions and identifies and arranges for prosecution of participants in fraud and abuse cases. This Office has a Presidentially-appointed deputy.

Findings/Conclusions: It was found that the Office of Inspector General could be more effective in monitoring the DOE programs and operations. It does not have a systematic review of all DOE programs and operations. The weakness in audit planning was acknowledged and attributed to a need for more resources. Without such planning it is not possible to determine the total resources needed to audit all DOE programs effectively. Currently the 125 field auditors are not under direct control of the Inspector General, as GAO believes they should be. This would provide maximum independence in auditing activities and give the Inspector General greater flexibility in using staff resources. There is a need for more explicit policies outlining the Inspector General's responsibilities and detailing methods of operation to the staff. GAO believes a separate appropriation line item for this Office would highlight its resource needs and further assure its independence.

Recommendations: The Inspector General should develop a comprehensive plan for auditing the Department's programs and operations. He should provide formal guidance to his staff, including procedures for following up on timeliness and adequacy of Department actions in response to audit recommendations. The Secretary of DOE should reorganize the Department's field auditors under the Inspector General and provide any additional staffing resources which are necessary to enable him to carry out his responsibilities effectively. The Secretary should also review other offices in the Department with program evaluation functions and determine whether they should be under the Inspector General's control. Further, the Secretary should seek a separate appropriation line item for the Inspector General.

Agency Comments/Action

DOE basically agreed with the recommendations. The Department said the first two recommendations are being carried out and the third is under advisement. With regard to our recommendation for a separate appropriation line item for the Inspector General, the Department would not object but has not requested it.

Appropriations

Departmental administration general and special funds - Department of Energy

Appropriations Committee Issues

The Appropriations Committees should consider a separate appropriation line item for the Department of Energy's Inspector General to further assure the Inspector General's independence and add visibility to his resource needs.

CONTENTS

Matters Affecting Appropriations of All or Most Federal Departments and Agencies ... 1 1/A6

Departments

Agriculture ... 27 1/C4
Commerce ... 60 1/E9
Education ... 76 1/F11
Energy ... 84 1/G5
Health and Human Services ... 128 2/C8
Housing and Urban Development ... 181 2/G5
Justice ... 192 3/A3
Labor ... 207 3/B4
State ... 224 3/C7
Interior ... 227 3/C10
Treasury ... 239 3/D8
Transportation ... 251 3/E6

Agencies and Other Organizations

Administrative Conference of the United States ... 276 3/G3
Administrative Office of the United States Courts ... 277 3/G4
Architect of the Capitol ... 278 3/G5
Corps of Engineers (Civil Functions) ... 280 3/G7
District of Columbia Government ... 281 3/G8
Environmental Protection Agency ... 287 3/G14
Farm Credit Administration ... 300 4/A14
Federal Communications Commission ... 301 4/B1
Federal Emergency Management Agency ... 302 4/B2
Federal Maritime Commission ... 304 4/B4
General Services Administration ... 305 4/B5
Government Printing Office ... 316 4/C2
Interstate Commerce Commission ... 317 4/C5
Legal Services Corporation ... 322 4/C8
Library of Congress ... 323 4/C9
National Aeronautics and Space Administration ... 324 4/C10
National Transportation Safety Board ... 326 4/C12
Office of Management and Budget ... 327 4/C13
Office of Personnel Management ... 334 4/D6
Securities and Exchange Commission ... 351 4/E9
Small Business Administration ... 353 4/E11
Tennessee Valley Authority ... 361 4/F5
Veterans Administration ... 362 4/F6

Matters Affecting Selected Departments and Agencies ... 369 4/F13

Index to Departments, Agencies, and Other Organizations ... 449 5/E10

DEPARTMENT OF ENERGY

Federal Demonstrations of Solar Heating and Cooling on Commercial Buildings Have Not Been Very Effective

(EMD-80-41, 4-15-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Solar Heating and Cooling Demonstration Act of 1974 (P.L. 93-409). Department of Energy Organization Act (P.L. 95-91).

The Solar Heating and Cooling Demonstration Act of 1974 mandated a major demonstration of solar heating technology in residential and commercial buildings by 1977 and the development and demonstration of combined solar heating and cooling technology in residential and commercial buildings by 1979. GAO reviewed the Department of Energy's (DOE) program for demonstrating solar heating and cooling on commercial buildings to determine whether DOE had accomplished its objectives for the commercial buildings program. The review focused on the following issues: whether the projects on commercial buildings were demonstrating that solar heating and cooling are practical, how successful data dissemination has been, and whether the solar demonstration program aided in developing a viable solar industry.

Findings/Conclusions: Most projects funded under the program have not demonstrated that solar heating and cooling are practical. Very few commercial demonstration projects were operating as designed. In many cases, neither DOE nor the project owner knew how much energy the solar systems were contributing. In cases where data were available, many projects were not providing the expected energy. GAO analyses showed that most projects were not expected to pay for themselves within the 3 to 5 years generally required by industry, and most projects expected energy costs several times greater than the most expensive alternative fuel. The DOE data dissemination program cost for commercial demonstrations through fiscal year 1979 exceeded $13 million and its benefits have thus far been limited. It is doubtful that the information collected and disseminated through the DOE Technical Information Center is reaching much of the target audience. The extent to which the program has aided in developing a viable solar industry is unknown. GAO believed that it was doubtful that the demonstration projects had stimulated much additional buying because most projects did not show solar energy systems to be practical.

Recommendations: The Secretary of Energy should: evaluate all solar demonstration projects on commercial buildings to identify the magnitude of each project's problems, what it would take to correct the problems, and what the likelihood is that the project will show solar to be practical, take action to correct the problems identified; take specific actions to increase the likelihood of funding projects which demonstrate solar to be practical; devise a means to determine the amount of energy being provided by each demonstration project; direct the Technical Information Center to expand its criteria for adding groups to its mailing list to ensure that more industry user groups are reached; and place greater emphasis on making user groups aware of the availability of data produced from demonstration projects. The Secretary of Energy should also develop appropriate measurements to gauge the impact of its solar demonstrations on commercial buildings, and, if appropriate, develop alternative strategies or options, including legislative proposals, for encouraging the widespread use of solar on commercial buildings. The Secretary should present the options with probable costs and impacts to Congress for its consideration in funding further solar programs.

Agency Comments/Action

The Department of Energy agreed with the recommendations with one qualification. In the Department's opinion, GAO criticism of the economic viability of the demonstration projects failed to take into account the intent of the Congress that demonstration projects need not be economically viable.

Appropriations

Energy supply research and development activities - Department of Energy
Operating expenses - Department of Energy

Appropriations Committee Issues

The Department of Energy should provide the Appropriations Committees with data on the impact of solar demonstrations in commercial buildings, and any alternative options and strategies for encouraging solar energy use in commercial buildings for use during consideration of the DOE budget request.

DEPARTMENT OF ENERGY

Federal Facilities for Storing Spent Nuclear Fuel--Are They Needed?

(EMD-79-82, 6-27-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Hazardous Materials Transportation Control Act of 1970.

The domestic and foreign aspects of the spent-fuel program of the Department of Energy (DOE) were reviewed. In the past, it was thought that partially used fuel loads would be taken from the nuclear reactor and transferred to a commercially-operated reprocessing plant, where residual uranium and plutonium in the spent fuel could be removed for use again in other nuclear reactors. In order to minimize the proliferation of nuclear weapons, the President in 1977 decided to defer indefinitely the commercialization of technologies that reprocess or depend on the recycling of plutonium. DOE has now proposed to take title to the spent nuclear fuel accumulating at reactor sites in the United States and abroad. DOE realized that a centralized interim storage facility must be provided, since many utilities would not be able to store their spent fuel on-site beginning in 1983. Alternatives being considered by DOE for a Federal interim storage facility include: construction of a new 5,000-metric-ton facility to be located on a Federally owned site; purchase of storage pools at three existing but closed reprocessing plants; and lease of storage space from the Tennessee Valley Authority. Depending on which of these is selected, DOE then would calculate a storage fee to recover all Government costs for both interim and permanent storage of spent fuel.

Findings/Conclusions: GAO does not believe that DOE has fully explored the nuclear industry's potential to provide additional storage space at reactor sites or to independently build away-from-reactor spent-fuel storage facilities. DOE does not recognize that the nuclear industry has the technical capability and should have the motivation to provide interim spent-fuel storage services. On the other hand, estimates by DOE of needed foreign storage capacity are speculative. Also, DOE should not unilaterally decide on a foreign spent-fuel storage policy until the completion of the International Fuel Cycle Evaluation Study.

Recommendations: Because the GAO analysis shows that a Federal interim spent-fuel storage facility is not needed, it is recommended that the Secretary of DOE should: establish a timetable for having a method for permanent spent-fuel storage; include in that timetable provisions for consideration by the President as to whether commercial spent-fuel reprocessing should resume; work with and explore ways that utilities can solve their spent-fuel storage problems until a method of permanent storage is available; and encourage and work with the private industry to provide any needed interim spent-fuel storage facilities. Federal interim storage facilities should only be considered if DOE cannot meet the date that it commits to having a permanent storage alternative available. To resolve any uncertainty about the rights of utilities and other authorized groups to transport spent fuel through interstate commerce, the Secretary of Transportation should include in any routing regulation for transportation of radioactive materials, specific language to make clear the extent and scope of the authority of the States to regulate, but not prohibit, the movement of spent fuel.

Agency Comments/Action

In response to the recommendations, DOE said that it was not its intention to provide extensive spent fuel away-from-reactor storage space. Instead, it wanted to provide only a limited amount of space for those utilities who were running out of storage options. DOE did not think the nuclear industry had shown any interest or inclination to provide spent-fuel storage space, thus leaving it to the Government to fill the void.

Appropriations

Operating expenses - Department of Energy

Appropriations Committee Issues

The Appropriation Committees should not permit DOE to build or acquire, "away-from-reactor," spent-fuel storage facilities. Existing evidence shows that the nuclear industry has expertise and motivation to handle its own interim spent-fuel storage until a permanent storage solution is available. Instead, the Appropriation Committees should require DOE and the Administration to resolve the permanent spent-fuel disposition question, including whether or not spent fuel should be reprocessed.

DEPARTMENT OF ENERGY

The Federal Government Needs a Comprehensive Program To Curb Its Energy Use
(EMD-80-11, 12-12-79)

Budget Function: Energy (0270)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). National Energy Conservation Policy Act (P.L. 95-619). P.L. 93-409. P.L. 94-385.

In the face of the Nation's growing dependency on foreign oil imports and the undesirable economic consequences, and despite legislative and executive directives, a comprehensive energy conservation program has not yet been developed. The Federal Government has not made a sufficient commitment to curb Federal energy consumption and needs a new perspective for reducing its energy use. In assessing the current status of the Federal energy conservation program, Federal energy conservation efforts were discussed with Federal agencies, field locations were visited, and reports and studies were reviewed and analyzed.

Findings Conclusions: It was found that the Department of Energy (DOE) has not developed energy conservation plans for buildings, as required by legislation and Executive Orders. It has not issued guidance for Federal agencies to use in developing overall energy conservation plans. Because it does not have sufficient resources and organizational status, the DOE Federal Energy Management Program is not capable of managing a comprehensive program. Most energy use reductions have resulted from quick-fix changes that occurred between 1973 and 1974. According to Federal energy consumption data, the Government's energy use has increased in 2 of the last 3 years. Federal consumption of gasoline has increased 18 percent since 1974, while the use of coal, which is plentiful, has decreased 27 percent. DOE has taken the position that no comprehensive program is needed, and it does not intend to take any action to establish such a program.

Recommendations: The President should not wait for congressional actions and should issue a new Executive Order which incorporates a Federal energy management policy statement and provides for an aggressive and comprehensive program. The Order should as a minimum: define the priority agencies are to place on energy conservation and assign the Department of Energy responsibility for the Federal Energy Management Program; specify clearly and precisely agency roles, authority, and responsibilities; provide for aggressive action to implement legislative and Executive order requirements; require Office of Federal Procurement Policy to develop more specific procurement strategies, guidelines, and procedures for considering energy use in Federal purchases and coordinate this effort with the Department of Energy; and require annual progress reports from the Secretary of Energy. The Secretary of Energy should assist the President in this effort by taking the following actions: establish within the Department of Energy a high-ranking Federal Energy Management Program office reporting directly to the Under Secretary; assign to this office broad responsibility for all aspects of Federal sector energy conservation plans and programs currently assigned to the Department; provide adequate funding and personnel resources to the office; direct appropriate Department of Energy officials to implement expeditiously adequate energy conservation plans and guidelines as intended under energy legislation and Executive orders; and direct this office to develop an approved management plan for carrying out responsibilities. The Congress should enact legislation which expresses the priority and emphasis that should be placed on the issue of energy use and management in the Federal sector and consolidate existing laws. The legislation should require: the President to develop and implement through DOE an aggressive and comprehensive Federal Energy Management Program (FEMP) and clearly define the roles, authority, and responsibilities that DOE and other Executive branch agencies are to fulfill in the program; require under the purview of FEMP the development and implementation of specific plans and programs; require the President to complete action on the above items within 18 months after legislation is enacted and report to the Congress, and provide to the Department of Energy central funding and control over energy conservation funds and restrict such funds to energy conservation use.

Agency Comments Action

According to DOE, the Department now recognizes that its role of monitoring Federal efforts to curb energy use has been insufficient. Additional guidelines, mandates, and standards are necessary. Although DOE does not support establishing a high-ranking office solely responsible for FEMP, the Department stated that it has increased the program's management staff from 6 to 17 authorized positions and has submitted a supplemental request to increase the budget from $400,000 to $2,700,000 in fiscal year 1980. The Department also agreed with the recommendations to expeditiously implement energy conservation plans and guidelines.

Appropriations

Department of the Interior and related agencies.

Appropriations Committee Issues

DOE should aggressively pursue the development of more definitive mandates to reduce energy use throughout the Federal Government. Aggressive leadership roles are needed in the transportation and building sectors since the Government owns approximately 650,000 vehicles and 400,000 buildings. The Department of Energy, with its legislative and executive mandates, should be the focal point for Federal energy conservation initiatives.

DEPARTMENT OF ENERGY

Gasoline Allocation: A Chaotic Program in Need of Overhaul

(EMD-80-34, 4-23-80)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Emergency Petroleum Allocation Act of 1979 (15 U.S.C. 757 et seq.). Department of Energy Organization Act (42 U.S.C. 7101 et seq.).

GAO was requested to review the problems in the Department of Energy's (DOE) administration of its gasoline allocation program and to identify program weaknesses. The gasoline allocation program is the only program which can be used to manage the distribution of supplies when shortfalls are under 20 percent. Basically, gasoline allocations are determined by reference to a historical base period. Suppliers must sell to the same purchasers who bought during the base period, although the purchasers are not obligated to buy the volumes offered them. The amounts purchased during the base period are used to determine the quantity to which purchasers are entitled. Priority is given to certain national defense and agricultural uses. The remainder is allocated to nonpriority purchasers as a fraction of the base period volume. Each prime supplier generally must use a uniform allocation fraction nationwide in distributing the gasoline, unless DOE directs or approves the use of a different fraction for a particular region. A "set-aside" program permits States to direct the distribution of a portion of the gasoline to meet hardship and emergency requirements within the State. Each prime supplier must set aside 5 percent of the supplies for this purpose. Firms can request an exemption from the regulations or appeal a DOE decision through the DOE Office of Hearings and Appeals.

Findings/Conclusions: Emergency response planning was incomplete and outdated. Federal and State Governments were ill-prepared to deal with their supply management role. The program operations were plagued by inadequate management and staffing, relentless demands for services, poor or totally lacking information systems, and unclear guidance and direction. The problems were reflected in the States' "set-aside" program operations. They were not prepared to deal with the sudden workload and were handicapped by the absence of clear, definitive guidance. The DOE audit activities were belated and of mixed success. A high incidence of possible violations of allocation program regulations was encountered. Despite its shortcomings, as presently designed and implemented, GAO favored efforts to make the allocation program an effective tool.

Recommendations: The Secretary of Energy should act immediately to revise the Mandatory Petroleum Allocation Regulations and insure successful implementation of the regulations during shortage periods. To reduce the workload, the Secretary should seek a cost-effective and workable alternative to a fixed base period; require certifications by priority users and by all other levels in the distribution chain; require that all certification forms state the key priority use criteria; establish operational training programs for key officials responsible for the program and give the DOE Office of Petroleum Operations regional office responsibility for conducting them. To improve program monitoring, the Secretary should require States to notify the Economic Regulatory Administration when priority needs are met through State set-aside program; establish an information gathering and analysis system; seek a cost-effective and practical method for obtaining data on secondary and tertiary storage of gasoline and middle distillates; revise the Office of Hearings and Appeals case-tracking system to provide data on the speed with which cases are being resolved; establish a system for obtaining data on the use of the State set-aside program; and review the program requiring information from DOE operating personnel. To improve auditing and enforcement, the Secretary should review the audit programs for the allocation program; review the allocation program; and plan how the audit priorities will be revised at the beginning of a supply shortage. To improve Federal/State relations, the Secretary should provide the direction and leadership required to achieve uniform application of the State set-aside program throughout the country; set standard definitions of hardships and emergencies; set criteria and standards of verification for evaluating requests for relief; set a lower percentage of supplies to be set aside; set criteria and procedures for release of unused set-aside supplies; require that States have adequately staffed, trained, housed, and funded organizations to administer the program; and identify options for assuring adequate funding for the State program. The Secretary should improve program planning and direction by placing responsibility for DOE energy emergency management planning and implementation within the Secretary's Office.

Agency Comments/Action

Sixty-day comments had not been received as of July 15, 1980.

Appropriations

Energy emergency management planning and implementation - Department of Energy

Appropriations Committee Issues

The Department's gasoline allocation program needs an overhaul if it is to successfully cope with the next gasoline shortage.

DEPARTMENT OF ENERGY

Geothermal Energy: Obstacles and Uncertainties Impede Its Widespread Use

(EMD-80-36, 1-18-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Geothermal Energy Research, Development, and Demonstration Act of 1974 (P.L. 93-410). Federal Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577). Geothermal Steam Act of 1970 (P.L. 91-581). Department of Energy Organization Act (P.L. 95-91). Natural Gas Policy Act of 1978 (P.L. 95-621). Public Utility Regulatory Policies Act (P.L. 95-617). Energy Tax Act of 1978 (P.L. 95-618). U.S. Geological Survey Circular 726.

Theoretically, geothermal resources are a virtually inexhaustible energy source. Although the Government has spent nearly $500 million over the past 5 years, development and use of these resources has proceeded slowly. The Department of Energy (DOE) has the lead responsibility for the Federal geothermal program and has tried to stimulate private industry and local public power authorities to commercialize this energy for the production of electricity or direct heat. Private industry's efforts have primarily focused on hydrothermal steam resources, while it has made only limited efforts to develop other geothermal resources such as high-temperature, hot-water resources, due to high costs and financial and technical risks.

Findings/Conclusions: The widely varying obstacles and uncertainties which make geothermal development costly and risky include: a lack of reliable detailed resource information; a lack of proven technology for defining, extracting, and using most of the recoverable resources for electric applications; complexities of administrative and regulatory requirements for development; and insufficient knowledge of possible environmental impacts and control technology. The lack of a formal DOE management system for setting priorities among projects has resulted in an unsatisfactory project selection process. Delays in issuing implementing regulations have also hindered geothermal development and use, with some regulations having taken as long as 3 years to develop and use. Several bills have been introduced in the 96th Congress which would provide additional initiatives and incentives for development, and as the geothermal development program evolves, more legislative changes can be expected. However, it may be years before any of the benefits of legislation can be realized if agencies take as long to issue implementing regulations as they have in the past.

Recommendations: The Secretary of Energy should: (1) establish a formal mechanism for setting priorities among research, development, and demonstration projects to ensure that proposed projects are routinely and uniformly evaluated and that priority attention is given to projects aimed at resolving the major uncertainties and obstacles to widespread geothermal use in the shortest possible time frame; (2) place greater emphasis on the timely issuance of implementing regulations and, as Chairman of the Interagency Geothermal Coordinating Council, systematically monitor each agency's progress in developing regulations and adopt a strong leadership role in ensuring that regulations implementing changes to the geothermal program are developed and issued in a timely manner; and (3) at the time new Federal initiatives and incentives aimed at accelerating the development and use of geothermal energy are proposed, either by the administration or by the Congress, determine the impact each could have on all phases of geothermal development and the estimated annual costs involved and submit each analysis to the appropriate congressional committees for their use during consideration of those initiatives and incentives. The Secretary of the Interior should: follow up on the development of those regulations related to the leasing of Federal lands which were or have been in process for several years to identify and correct the problem and ensure that regulations are issued as soon as possible; and develop an internal system for monitoring the Department of the Interior's efforts to develop regulations relative to geothermal energy with the system providing checkpoints that would alert the Secretary when such efforts are approaching 1 year in their development or are otherwise being delayed.

Agency Comments/Action

DOE basically agreed with the recommendations. It specifically agreed with the need to determine the impacts and costs of proposed legislative initiatives, and began developing analytical tools for doing such evaluations. The Department of the Interior agreed with the recommendations and is implementing a tracking system for monitoring efforts to develop geothermal regulations and to alert the Secretary when delays occur.

Appropriations

Energy supply, research, and development activities - Department of Energy
Operating expenses - Department of Energy
Management of lands and resources - Department of the interior, Bureau of Land Management

Appropriations Committee Issues

DOE should provide the Appropriations Committees with the impacts or benefits expected to result from initiatives and incentives aimed at accelerating geothermal energy development for use during consideration of the DOE budget request.

DEPARTMENT OF ENERGY

The Geothermal Loan Guarantee Program: Need for Improvements
(EMD-80-26, 1-24-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Energy Tax Act of 1978 (P.L. 95-618). Geothermal Energy Research, Development, and Demonstration Act of 1974 (P.L. 93-410).

The purpose of the geothermal loan guarantee program is to encourage and assist commercial development of useful energy from geothermal resources. The program is also intended to develop normal borrower-lender relationships which will in time encourage the flow of credit to assist geothermal development without the need for Federal assistance. The program is managed by the Department of Energy's (DOE) Assistant Secretary for Resource Applications. The Manager of the DOE San Francisco Operations Office has been delegated national operational authority for the program since most of the geothermal resources expected to be developed by 1985 are in the western half of the United States. Under this delegation, the Manager accepts, evaluates, and recommends approval of project applications based on priorities DOE has developed for the selection of projects; monitors project status; and coordinates activity in default situations. Final project approval authority rests with the Assistant Secretary for Resource Applications.

Findings/Conclusions: The program has had only limited effect on accelerating geothermal energy development and DOE has approved only four projects since the program's enactment in 1974. One reason for the limited progress is the technical and economic uncertainties of developing geothermal resources. DOE has never developed and implemented a comprehensive strategy for the program and there have been a number of management problems. As a result, it is highly unlikely that the program will meet its objectives, particularly its goal to establish normal borrower-lender relationships when the program's legislation expires in 1984. Other results have been reactive decisionmaking and the selection of projects not meeting the program's highest priority needs. The program has also been plagued by administrative delays due to redundant review and selection procedures, which may discourage potential applicants. Other delays, including decisions on the use of the Federal Financing Bank and interest differential payments, have resulted from the Department's failure to settle unresolved policy issues in a timely manner.

Recommendations: To provide clearer direction for the geothermal loan guarantee program and greater assurance that the program meets its primary objective and goal, the Secretary of Energy should develop and implement a comprehensive strategy. As a minimum, the strategy should include: amendments to regulations and any other mechanisms that may be needed to allow lenders to assume greater responsibility for project administration and monitoring, thereby minimizing Government involvement; project selection factors in terms of geographical area, project type, project size, technical innovation, and borrower category; ways to solicit industry involvement and to seek out and select projects that best meet program needs; and means to evaluate program progress and to modify program activities as circumstances change. To ensure that further administrative delays do not occur, the Secretary should take immediate action to ensure that regulations are issued in a timely manner and to streamline project selection and milestone review procedures. Further, the Secretary should delegate authority to the Department's San Francisco Operations Office Manager to approve projects within an established ceiling and to approve restructured milestones when they conform to basic project objectives. To ensure that the program is achieving maximum participation, the Secretary should vigorously pursue resolution of the interrelated questions on the use of the Federal Financing Bank and interest differential payments with the Office of Management and Budget and the Department of the Treasury.

Agency Comments/Action

The Department of Energy basically agreed with the recommendations.

Appropriations

Geothermal Resources Development Fund - Department of Energy

Appropriations Committee Issues

The Department of Energy's strategy document, or a report on its status, for the geothermal loan guarantee program should be presented to the Appropriations Committees during their consideration of requests for funds for the Geothermal Resources Development fund.

DEPARTMENT OF ENERGY

How the Petroleum Refining Industry Approaches Energy Conservation--A Case Study

(EMD-80-55, 6-13-80)

Budget Function: Energy: Energy Conservation (0272)

Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Energy Policy and Conservation Act (P.L. 94-163). Energy Supply and Environmental Coordination Act of 1974 (P.L. 93-319). Energy Tax Act of 1978 (P.L. 95-618). National Energy Conservation Policy Act (P.L. 95-619). Powerplant and Industrial Fuel Use Act of 1978 (P.L. 95-620). Windfall Profits Tax Act (P.L. 96-223).

A review was made concerning conservation achievements in the petroleum refining industry, and the impact existing Federal energy conservation and fuel-switching programs have had in furthering conservation gains and encouraging switching to coal. The U.S. petroleum refining industry accounts for about 4 percent of total domestic energy consumption and over 10 percent of all energy consumed by the industrial sector. In 1978 alone, refineries consumed the equivalent of 1.4 million barrels per day of crude oil in producing refined petroleum products, or about 1 barrel of crude oil for every 10 barrels refined.

Findings/Conclusions: The review of the petroleum refining industry by GAO showed that: (1) although the Department of Energy (DOE) reported that the petroleum refining industry reduced its energy requirements to refine a barrel of crude oil by 19.5 percent between 1972 and the end of 1978, Federal programs designed to promote improved industrial energy efficiency had little impact on the improved refinery efficiency; (2) the National Energy Conservation Policy Act extended the reporting program beyond 1980, but did not give DOE legislative authority to set new efficiency improvement targets; (3) the current Federal policy of moving toward decontrol of domestic crude oil and natural gas prices should help achieve greater energy savings by making additional conservation projects cost effective; (4) the 10-percent tax credit for certain conservation investments is not expected to have much impact on refinery conservation efforts; (5) Federal programs to increase substitution of coal for oil and natural gas have had little impact on the refining industry, and in some cases may actually be hampering efforts to improve energy efficiency; and (6) Federal coal gasification activities to date have not been directed toward demonstrating the use of coal gas in a refinery since the refining industry has shown little interest in the project.

Recommendations. The Secretary of Energy should: (1) request legislative authority to develop new voluntary industrial energy efficiency improvement targets in order to maintain industry-wide visibility of effort in the conservation area, and to provide a yardstick by which to measure industry's progress; (2) monitor industrial energy usage and progress towards achieving the new improvement targets, and develop additional programs, if needed, to assure that conservation goals are met; (3) examine the extent to which companies in all industries are neglecting to replace old energy-inefficient equipment because of the coal-switching program, and take appropriate measures if a significant problem seems to exist; and (4) take further steps to demonstrate coal gasification technologies in industrial applications, including the refining industry if appropriate. Congress should take the initiative to enact legislation requiring DOE to develop new industrial energy efficiency improvement targets if DOE fails to request the necessary legislative authority.

Agency Comments/Action

DOE does not believe that new industrial energy efficiency improvement targets would be cost-effective, but they noted that several industry trade associations are voluntarily developing their own targets, and have agreed to monitor progress made in meeting these targets. Also, DOE does not believe any changes in its coal-switching program are needed. They do agree, however, that the refining industry should receive serious consideration for adoption of coal gasification technology.

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

The DOE industrial energy conservation reporting program has been a relatively inexpensive means of achieving visibility and attention for industry-wide conservation achievements. The Committees should question DOE about its priorities in the industrial conservation area to determine and evaluate what more productive avenues DOE intends to pursue. The Committees should also press DOE for specifics on how it intends to promote the adoption of coal gasification technologies by industry, including the refining industry.

DEPARTMENT OF ENERGY

Increasing Costs, Competition May Hinder U.S. Position of Leadership in High Energy Physics

(EMD-80-58, 9-16-80)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251)

The United States has led the world in high energy physics research; other countries are now challenging that lead. The Federal Government provides nearly all of the funding of the U.S. high energy physics efforts. The Office of Science and Technology Policy (OSTP) has oversight responsibility over all federally funded basic science, and works with the Office of Management and Budget (OMB) in developing the basic science budgets. The National Science Foundation (NSF) is the principal Federal agency for the support of basic research across all fields of science and science education. The Department of Energy (DOE) has the primary responsibility for implementing a sound national high energy physics program.

Findings/Conclusions: Whether the funding of high energy physics research is appropriately balanced with support of research in other basic science fields is not clear. DOE funding is based on an agreement with OMB to annually fund high energy physics at a constant level, which is the minimum amount the physics community believes is needed to maintain a viable program with adequate diversity. The funding has not been based on a comprehensive plan for maintaining a leadership position. GAO believes the program has been faced with trying to do more than available funds would allow. DOE has not formally prepared a comprehensive plan which is consistent with the agreed-upon funding level. The program has been emphasizing the development and construction of accelerators. Other key program elements have been inadequately funded. This may have detrimental effects on long-term accelerator technology and the participation of the brightest and most talented U.S. scientists. GAO believes that the objective of maintaining a world leadership position, the plan for achieving this objective, and the level of funding need to be examined in the light of the program's needs and importance relative to other basic sciences. A given policy and strategy should not be pursued unless the amount of funds needed are made available. Congress could provide valuable input into the final determination of what the overall objectives of the program should be, as well as the appropriate strategies and necessary funding levels.

Recommendations: The Director of OSTP should assemble a work group to conduct a study to determine the appropriate level for funding the U.S. high energy physics program, taking into consideration the program's needs and importance relative to other basic sciences. Based on the results of such a study, the Director should prepare a policy paper setting forth the objectives of the U.S. program, a strategy for achieving such objectives, and the appropriate annual funding levels for carrying out the strategy. Such funding levels should consider projected amounts for major functions such as construction, accelerator operations, accelerator research and development, equipment, equipment research and development, and physics research. The Director should consult with the appropriate oversight committees of Congress for their views and input in helping to formulate the policy. The Directors of OMB and NSF, and the Secretary of Energy, should fully cooperate in the study. The Secretary of Energy should formally institute the development of near-, mid-, and long-range plans on a periodic basis. These plans should be submitted to Congress for its information and use in carrying out its budgetary and oversight responsibilities.

Agency Comments/Action

Agency comments have not been received.

Appropriations

General science and research, operating expenses - Department of Energy

Appropriations Committee Issues

The Committees should monitor the development of policy objectives for the U.S. high energy physics program, the strategy for achieving such objectives, and the appropriate annual funding levels for carrying out the strategy.

DEPARTMENT OF ENERGY

Iranian Oil Cutoff: Reduced Petroleum Supplies and Inadequate U.S. Government Response

(EMD-79-97, 9-13-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Department of Energy Organization Act (42 U.S.C. 7101). Energy Policy and Conservation Act (42 U.S.C. 6261).

A review was made of how the Iranian oil shortfall affected U.S. oil companies and what the Department of Energy (DOE) did to monitor the situation and deal with its effects. The 19 major U.S. oil companies from which GAO obtained information account for about 75 percent of U.S. refining capacity, oil imports, and gasoline sales. The information included monthly inventory levels, gasoline production and sales figures, and refinery operating levels.

Findings/Conclusions: The estimated net reduction in U.S. petroleum supplies due to the Iranian situation was between 600,000 and 700,000 barrels a day during the first 4 months of 1979. The multinational oil companies' crude oil allocation procedures which caused a further loss of 200,000 barrels a day, the unusually large reduction in U.S. crude oil production, and decisions of the larger companies not to purchase crude oil on the spot market all helped to further tighten the U.S. crude oil supply. Other factors such as DOE regulations caused the companies to reduce gasoline allocations beyond the amount of their Iranian imports. The shortfall was further exacerbated by government-mandated reductions in production by several other oil-producing countries, who also took advantage of the tight supply to increase their oil prices 54 percent. The DOE lack of adequate energy planning and data has led to inconsistent and conflicting administration statements and policies on the U.S. oil shortfall. While the overall shortage contributed to companies not increasing their production, no evidence was found that the 19 companies' stocks of crude oil, gasoline, and distillates exceeded normal operating levels.

Recommendations: The Secretary of Energy should develop: (1) a comprehensive plan for dealing with energy shortages such as the Iranian situation which should include, as much as possible, the specific actions or options available for monitoring and responding to the shortage, so that ad hoc reactions are kept to a minimum; (2) a system for better identifying demand and consumption of petroleum products on a national and regional basis, in order to determine the extent of supply shortages; and (3) a reliable system for gathering, verifying, and publishing accurate and complete energy data in a timely manner with the system including information not only on refinery stocks and operations, but also on the stocks at the middleman level such as wholesalers, jobbers, and distributors.

Agency Comments/Action

DOE generally agreed with the recommendations. It said that it was proceeding with the development of: (1) a comprehensive plan for dealing with energy shortages; (2) the capability to collect consumption data on a regular basis; and (3) a system to collect data on two types of petroleum product stocks held by retailers, bulk stations, wholesalers, and manufacturers. DOE questioned, however, whether a system for measuring true consumer demand could be implemented at the present time. Also, although it agreed that secondary and end-user stock data should be added to its database, it had begun to gather such data on only two petroleum products. It should be noted that the GAO report did not call for a system to measure "true consumer demand"; rather it said that a better system for identifying demand on a national and regional basis is necessary in order for the Department to determine the real extent of supply shortages. Therefore GAO believes that DOE needs to do more to respond adequately to its recommendations.

Appropriations

Operating expenses and capital acquisitions - Department of Energy

Appropriations Committee Issues

While the Department of Energy has taken some actions to respond to the recommendations, GAO believes more needs to be done for an adequate response to them.

DEPARTMENT OF ENERGY

Issues Needing Attention in Developing the Strategic Petroleum Reserve

(EMD-77-20, 2-16-77)

Budget Function: Natural Resources, Environment, and Energy: Energy (0305)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

The concept of the Strategic Petroleum Reserve is to provide protection against future oil embargoes by creation of a reserve equal to approximately 500 million barrels of crude oil. As part of the reserve, an Early Storage Reserve is to be established to contain at least 150 million barrels by December 1978. The proposed reserve will contain only crude oil which will be stored underground in salt dome caverns or in mines, primarily along the Gulf Coast. Issues which require further analysis by Congress relate to three questions. (1) Is there a need for the Strategic Petroleum Reserve? (2) How should the Strategic Petroleum Reserve be filled? (3) How should the Strategic Petroleum Reserve be financed?

Findings/Conclusions: GAO continues to support the concept of a system of national emergency energy reserves. It believes, however, that the use of industry crude oil and product stocks may be an alternative to the creation of Strategic Petroleum Reserve. The Federal Energy Administrtion plans to purchase oil for the reserve at near the national average composite price. As long as price controls remain on domestic oil, royalty oil could be acquired to fill the reserve, resulting in significant dollar savings with little or no adverse financial impact on small refiners. If domestic oil is decontrolled and reaches the world price, GAO believes that oil from the Naval Petroleum Reserve at Elk Hills would be a desirable alternative.

Agency Comments/Action

The Federal Energy Administration agreed that further analysis is needed regarding the extent to which industry inventories can be used during a severe supply interruption and is studying the matter. The agency disagrees that royalty oil should be used for the Reserve because its use would result in indirectly passing some of the Reserve costs on to petroleum users since higher cost foreign oil would have to be obtained by the private sector as a substitute. The agency stated that it had no objection to purchasing Elk Hills oil as long as it costs no more than other available oil.

Appropriations

Operating expenses and capital acquisitions - Department of Energy

Appropriations Committee Issues

Since the report, crude oil prices have been decontrolled and world oil prices have significantly increased. DOE has postponed its crude oil purchases for the Reserve and is now considering acquiring various domestic sources of crude oil for the Reserve. These include offsetting a portion of the Reserve with excess industry inventories and purchasing royalty oil.

DEPARTMENT OF ENERGY

Lighting and Thermal Efficiency Standards
(EMD-79-32, 3-8-79)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385). National Energy Conservation Policy Act (P.L. 95-619).

The progress made by the Department of Energy (DOE) in the development of mandatory lighting and thermal efficiency standards for Federal buildings was evaluated.

Findings/Conclusions: Technical problems are hampering the development of a lighting efficiency standard which would take into account nonuniform lighting levels for various building areas, lamp efficiency, lighting controls, and natural light. Such problems must be resolved to achieve lighting and thermal efficiency standards for new and existing Federal buildings. In addition, recent requirements for conserving energy in Federal buildings placed on DOE by the National Energy Conservation Policy Act may compound this situation.

Recommendations: DOE should move forward with an aggressive and effective 10-year plan to conserve energy in both existing and new Federal buildings. Requirements that are causing problems in carrying out an effective energy conservation program should be reported by DOE to appropriate congressional committees.

Agency Comments/Action

DOE has announced its intention to publish the final Federal 10-Year Buildings Plan in fiscal year 1981. It is envisioned that the final plan will contain mandatory lighting and thermal efficiency standards for Federal buildings.

Appropriations

Energy conservation - Department of Energy, Assistant Secretary for Conservation and Solar Energy

Appropriations Committee Issues

DOE has not yet developed a 10-year plan for energy conservation in Federal operations nor has DOE established mandatory lighting and thermal efficiency standards as required by law.

DEPARTMENT OF ENERGY

Magnetohydrodynamics: A Promising Technology for Efficiently Generating Electricity From Coal

(EMD-80-14, 2-11-80)

Budget Function: Energy: Energy Supply (0271)

A review of the status, potential, and alternative Federal strategies for development of magnetohydrodynamics (MHD), a promising but relatively unproven technology for generating electricity from coal, was undertaken. Systems developed using this technology generate electricity by moving super-hot electrically charged gas through a powerful magnetic field. The strong points of these systems are their potentially high operating efficiencies and low environmental emissions. Their weak points are the many technical problems associated with using coal as their fuel. At present, DOE is following a two-phased MHD program which calls for testing at three new larger-than-laboratory United States facilities and a $372 million pilot plant. Because DOE plans to use test results from the three new test facilities as the basis for a pilot plant design, testing delays at these facilities could affect the quality of information available to support the design. DOE has already experienced from 2-month to 1-year delays in starting testing at the three facilities.

Findings/Conclusions: GAO believes that DOE should strive to maintain its test schedule. Options for minimizing delays in the program include: (1) modifying design of the larger-than-laboratory Component Development and Integration Facility; (2) using overtime at that facility; and (3) modifying test plans at the other two new facilities. If more delays occur, however, and these options cannot provide sufficient test results to effectively design a pilot plant, DOE should reexamine the pilot plant schedule. Technology development could be accelerated by accelerating and/or skipping pilot plant design and construction. However, the risks of premature design of a major coal burning facility because of insufficient design data are high. A decision to adopt this or another approach to accelerate the technology's development should be based on a thorough analysis of the potential risks and benefits. Before the Government decides whether to request congressional approval for preliminary design of a MHD pilot plant, DOE should select one of three pilot plant alternatives: a Government-owned-and-operated plant, a joint Government-utility plant, or a Government-owned-and-contractor-operated plant. Advantages of the joint facilities include: (1) involving users more directly in MHD development, which could facilitate commercialization, and (2) lower construction costs to the Government. DOE should also establish a way to actively involve potential users of the technology in the program.

Recommendations: The Secretary of Energy should require a report from DOE's Assistant Secretary for Fossil Energy before the 1981 pilot plant design decision that should include an evaluation of: (1) the status of component delivery and testing at the three new test facilities; (2) the advantages, disadvantages, and trade-offs of the use of overtime, design modifications, and other ways to minimize delays in the pilot plant design schedule; and (3) the advantages, disadvantages, and trade-offs of a Government-owned-and-operated, joint Government-utility, and a joint Government-industry pilot plant. GAO also recommended that the Secretary of Energy establish a mechanism such as periodic regional users' meetings and surveys to actively involve electric utilities and industries that use large amounts of electricity in the program.

Agency Comments/Action

In letters to the House Committee on Government Operations and the Senate Committee on Governmental Affairs, DOE stated that it has assigned a high priority to increasing user involvement in the program and, as the report recommended, is actively investigating alternative liaison mechanisms. For example, in its response to the report, DOE stated that it will (1) continue regularly scheduled reviews of equipment deliveries and testing at the three new test facilities, and (2) evaluate options for utility participation in the pilot plant. DOE did not agree to organize and conduct a comprehensive review of equipment deliveries and testing at current facilities, or to complete this review early enough to avoid delays in the pilot plant schedule. DOE also has not announced plans to evaluate the advantages and disadvantages of a joint Government-industry pilot plant.

Appropriations

Energy supply - Department of Energy
Research and development - Department of Energy

Appropriations Committee Issues

On December 11, 1979, the DOE Acting Assistant Secretary for Fossil Energy announced plans to accelerate development of magnetohydrodynamic (MHD) systems by (1) doubling the size of the current Component Development and Integration Facility (CDIF), starting in fiscal year 1982, and (2) doubling the size of the DOE proposed fiscal year 1986 MHD pilot plant. The Acting Assistant Secretary estimated doubling the two test facilities would cost an additional $20 million and $100 million compared with each facility's originally estimated costs, but could save the Government $1 billion by eliminating the need for a commercial demonstration facility. DOE, however, had not completely analyzed the technical and financial advantages and disadvantages of the plan. The GAO report questioned the merits of the DOE acceleration plan and stated that a decision to accelerate MHD's development should be based on a thorough analysis of the potential risks and benefits. DOE needs to analyze the risks and benefits of doubling these two test facilities before submitting its fiscal year 1982 budget request.

DEPARTMENT OF ENERGY

The Nation's Nuclear Waste--Proposals for Organization and Siting

(EMD-79-77, 6-21-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)

Over the last 30 years, the Federal Government has generated vast quantities of highly radioactive contaminated waste. Spent fuel from commercial reactors has also accumulated. Both are characterized by high levels of radiation and a long toxic life. The Environmental Protection Agency, the Nuclear Regulatory Commission, and the Department of Energy (DOE) have major responsibilities for managing and disposing of these wastes. Several attempts by the DOE and its predecessor agencies to permanently dispose of nuclear waste in deep underground repositories have failed because of public and political opposition, rather than technical reasons. The Federal Government has never articulated a firm policy on how it intends to manage nuclear waste over the long term, and consequently there has never been a clearly defined, technically feasible waste management plan.

Findings/Conclusions: A task force established by the President has made some recommendations which highlight the significant problems and are a step in the right direction. A defensible master plan for long-term development and implementation and an organizational concept which will provide for public participation are still needed and are critical to a technically feasible and broadly accepted program. If State approval for repository sites cannot be obtained within an established time, the Federal Government might have to mandate selections to solve the waste problem within a reasonable time. Any entity which may assume responsibility for site selection should give first consideration to determining if any of the existing reservations are acceptable for waste disposal. If they are not acceptable for storing nuclear wastes that would be shipped there from other locations, then these sites should not be acceptable for the long-term storage of wastes already there.

Recommendations: The Secretary of Energy should determine, unless and until its reponsibility in this area is assigned to another organization, how it is going to deal with the highly contaminated DOE reservations and whether they are acceptable as nuclear waste repositories before selecting any other sites. The Congress should enact legislation which will create a Federal and State committee and place responsibility for developing a national waste management plan in that committee. While Senate bill 742 would establish such a committee, GAO believes that this or any other bill considered must recognize that if the concept does not lead to the selection of waste repository sites within an established time, the Federal government would exercise its right to mandate selections.

Agency Comments/Action

DOE disagrees that the Congress should enact legislation, because they believe it will prolong the decisions on waste disposal. They agree, with reservations, with the recommendation that they determine the manner in which they will deal with the contaminated reservations. They feel use of sites for waste disposal would interfere with planned use of the site. No action has been taken by DOE to implement the recommendation.

Appropriations

Operating expenses - Department of Energy

Appropriations Committee Issues

A national waste management plan should be developed in line with the GAO recommendation and DOE should assess its contaminated sites for use as nuclear waste repositories.

DEPARTMENT OF ENERGY

Natural Gas Incremental Pricing: A Complex Program With Uncertain Results and Impacts

(EMD-80-96, 9-4-80)

Budget Function: Energy (0270)
Legislative Authority: Natural Gas Policy Act of 1978 (P.L. 95-621).

Legislation requires the Federal Energy Regulatory Commission (FERC) to implement an incremental pricing program under which designated industrial users of natural gas pay a surcharge for the gas they buy. The purpose of the surcharge is to transfer the higher deregulated prices of natural gas to industrial users, so they will pressure their suppliers to obtain natural gas at the lowest possible cost.

Findings/Conclusions: FERC has responsibly handled the task of preparing regulations for the program's operation. Numerous opportunities have been provided for those affected by the legislation to discuss problem areas and present supporting documentation; proposed actions were changed where evidence indicated the original proposal was deficient. However, problems exist which can impede the implementation of incremental pricing and preclude a meaningful evaluation of whether the program accomplishes its intended purpose. During the time regulations were being written, some of the data FERC needed to assess the impact of different incremental pricing options were not available. This hindered FERC in making assessments of expected results of various courses of action and delayed the implementation of the three-tier pricing system. Data deficiencies also affected FERC action in areas involving agricultural exemptions and direct sales by interstate pipelines to industrial users. Cost information, needed to assess the administrative costs of the program and to plan procedures for evaluating program benefits and drawbacks, is lacking. Monitoring procedures have not been established. Therefore, GAO believed FERC will be hampered in its efforts to evaluate the program and to provide Congress with an assessment of whether the program is accomplishing its objectives. One area requiring monitoring concerns the relationship of Federal regulatory requirements with State and local requirements.

Recommendations: The Chairman, FERC, should work with the Administrator, Energy Information Administration (EIA), to develop, by October 1981, an information system incorporating key data elements that will enable FERC to: (1) make analyses which are necessary for recommending to Congress whether to continue, revise, or terminate the incremental pricing program; and (2) evaluate both the positive and negative aspects of the program's operation. As part of this effort, the Chairman should: insure that the information system provides data to substantiate that the designated alternate fuels provide the necessary balance of transferring the greatest amount of incremental costs to industrial users without causing them to switch to an alternate fuel; initiate action to incorporate data into the FERC information system to support determinations that alternate fuels for agricultural uses are reasonably available and economically practicable and that direct sales by interstate pipelines will not adversely affect the incremental pricing program; require that costs of implementing, operating, and monitoring the incremental pricing program be identified and compiled; work with State regulatory agencies to insure, to the extent possible, that State incremental pricing programs are consistent with the objectives of the legislation; and report results of the program monitoring effort to cognizant congressional committees at the time amended regulations are proposed for extending incremental pricing beyond industrial boiler fuel use.

Agency Comments/Action

The 60-day response on agency actions taken had not been received as of October 31, 1980.

Appropriations

Energy information, policy and regulation - Department of Energy, Federal Energy Regulatory Commission

Appropriations Committee Issues

FERC should work with EIA to develop an information system that will provide FERC with the support for (1) recommending to Congress whether the program should be continued or terminated, and (2) evaluating the positive and negative aspects of the program's operation.

DEPARTMENT OF ENERGY

Need for a System To Establish Priorities Among Fossil Energy Technologies

(EMD-80-65, 4-8-80)

Budget Function: Energy: Energy Supply (0271)

In an earlier report, GAO recommended that the Department of Energy (DOE) develop a system to establish priorities among the different fossil energy technologies and processes. A followup review of the DOE response to that report demonstrated again the need for DOE to establish a priority-setting system. Because little data exists for emerging technologies, considerable reliance will be placed on estimates and projections, and methods used to establish priorities rely heavily on subjective judgment. However, applying such judgment consistently can better insure the inclusion of all significant factors and provide a better-documented basis for priority-setting.

Findings/Conclusions: A DOE memo used in the fiscal year 1980 budget for fossil energy programs identified eight technologies as having the highest priority. However, there was no individual ranking which placed the technologies in priority order. GAO found no evidence that predetermined criteria were ranked or weighted according to their importance in meeting program goals or were used consistently. Office of Management and Budget and the Environmental Protection Agency officials expressed concern over the priority-setting process.

Recommendations: As recommended in the September 1978 report, the Secretary of Energy should develop a system to establish priorities among the different fossil energy technologies and processes. As a part of this system, the Secretary should (1) identify explicitly all criteria used in setting fossil energy technology priorities and the rank or weight of each, and (2) make fully visible how the criteria were applied to allow testing of the objectivity and reasonableness applied in its allocation of resources among fossil energy technologies.

Agency Comments/Action

As of the date of preparation of this document, DOE had not yet finalized its Section 236 response to the recommendation. At the request of Congressman Dingell, GAO did not obtain DOE comments at the time the report was written.

Appropriations

Energy supply, research, and technology development - Department of Energy

Appropriations Committee Issues

DOE should establish priorities among the different fossil energy technologies and processes so that the objectivity and reasonableness of its allocation of resources can be evaluated.

DEPARTMENT OF ENERGY

Need To Increase Department of Energy's Efforts To Encourage Small Business Contracting

(EMD-79-83, 6-26-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Department of Energy Act of 1978 - Civilian Applications (42 U.S.C. 7256). Small Business Act (15 U.S.C. 644).

A review was conducted to determine the effectiveness of the Department of Energy's (DOE) efforts to encourage small business contracting in solar energy research and development.

Findings/Conclusions: A strong commitment to small business involvement is vital for DOE to foster greater small business participation in its procurement process. For fiscal year 1979, the overall goal for contract awards to small business is established at 15 percent of the total contract award dollars. Based on the percent of small business contract awards for fiscal year 1978, the small business procurement goal set for 1979 appears to be low. Goals are developed by a consensus of all office managers. The prime consideration of program managers in awarding contracts is technical competence of the contractor. Some program managers did not know the definition of small business and were unaware of present contractors which met the criteria. Moreover, most program managers are not using the available information system which lists and profiles small business contractors by their areas of expertise, and might help locate potential small business contractors.

Recommendations: The Secretary of Energy should improve procedures for setting goals for small business contract awards; provide guidance through formalized procedures to those initiating procurement requests on identifying technically competent potential small business contractors and methods for increasing small business contract awards; and assign a small business technical advisor to the Small Business Administration representative as required by law. To insure adequate monitoring of small business participation in the procurement process and to identify the need for corrective actions, the Secretary should direct managers of program offices, field buying offices, and Department-owned, contractor-operated facilities to report statistics on small business contracts and subcontracts until the Integrated Procurement Management Information System is fully operational.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The Department of Energy should take steps to strengthen the Office of Small and Disadvantaged Business Utilization by complying with the legal requirements to reorganize the office so that the director reports directly to the Secretary or to his deputy, and the small business specialists report to the director.

DEPARTMENT OF ENERGY

Oil and Natural Gas From Alaska, Canada, and Mexico--Only Limited Help for U.S.
(EMD-80-72, 9-11-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Public Utility Regulatory Policies Act of 1978. Alaska Statehood Act (72 Stat. 339). Alaska Natural Gas Transportation Act of 1976. Natural Gas Policy Act of 1978.

The United States is 75 percent dependent on oil and natural gas for energy, and import dependency will continue through the 1990's. Estimates of domestic production include projections for Alaska, but because time is needed to issue leases, explore and develop drilling sites, build the transportation systems, and bring production on line, the outlook for increased oil and gas supplies from Alaska is limited, at least through 1985.

Findings Conclusions: Supplemental gas from Canada will not significantly help meet U.S. demand and may eventually be cut off because Canada is committed to energy self-reliance, and will make every effort to use or reserve its oil and gas for internal use. Canadian oil and gas will be subject to contracts of 6 years or less and be priced at or above world levels. Mexico will probably be one of the primary sources of oil before the year 2000. The Mexican government has indicated a preference for a conservative production policy based on the perceived ability of the Mexican economy to absorb oil and gas revenues without causing excessive inflation. Also, the contract between the government-owned petroleum monopoly and six U.S. gas companies requires the construction of new pipeline facilities if increased import quantity is negotiated. U.S. policymakers should give careful consideration to the domestic energy policies of Mexico and Canada. Concentrated effort should be made to increase domestic production, including the development of synthetic fuels, and unconventional oil and gas resources. The United States also has to conserve and utilize as efficiently as possible its domestic supplies to get through the 1980's and 1990's. The decline in domestic production cannot be offset by synfuels development during the 1980's and 1990's because of lead times and other constraints, but unconventional gas appears to offer more promise because several technologies are already operational on a commercial basis.

Appropriations

U.S. synthetic fuels cooperation - Department of Energy

Appropriations Committee Issues

The Committees should consider report findings when evaluating budget requests which affect domestic energy production, including synthetic fuels and unconventional oil and gas resources, as well as programs for energy conservation.

DEPARTMENT OF ENERGY

Potential Savings Through Purchase of Royalty Oil for Strategic Petroleum Reserve
(EMD-79-1, 10-6-78)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Energy Policy and Conservation Act of 1975 (P.L. 94-163).

A 1977 report to the Congress stated that oil produced from Outer Continental Shelf and onshore Federal leases, on which royalties are paid, could be purchased for the strategic petroleum reserve at substantial savings to the Government. Department of Interior officials calculated that, based on May 1978 crude oil prices, royalty oil would be $3.01 a barrel less than the national average composite price. Total savings that could result from buying royalty oil for the reserve could be significant, especially if current price differences and price controls remain. The Office of Strategic Petroleum Reserve cited three potential problems associated with purchasing royalty oil: an additional administrative burden to the Federal Government, unsuitability for reserve storage, and passing on some of the cost to oil users rather than taxpayers. In regard to these potential problems, we stated that: (1) the cost of the additional administrative burden is very minor when compared to the potential savings; (2) much of the royalty oil is suitable for reserve storage; and (3) some of the cost would be passed on to the oil users (this is already being done through use of the entitlements program).

Findings/Conclusions: Based on May 1978 crude oil prices, a savings of $3.01 could result for each barrel of royalty oil purchased for the reserve.

Recommendations: To minimize the cost to the Federal Government of the strategic petroleum reserve, the Secretary of Energy should purchase all suitable royalty oil for storage in the reserve.

Agency Comments/Action

The Department of Energy (DOE) commented that the recommendation was not feasible for several reasons. However, the agency is now evaluating various domestic sources of crude oil for the reserve, including royalty oil.

Appropriations

Operating expenses and capital acquisitions - Department of Energy

Appropriations Committee Issues

Since the report, crude oil prices have been decontrolled and world oil prices have significantly increased. In response to provisions in the Energy Security Act (P.L. 96-294), DOE recently requested bids for oil to fill the reserve in exchange for 100,000 barrels a day of oil from the Naval Petroleum Reserve at Elk Hills. DOE is still considering other domestic oil supply operations including royalty oil for the reserve.

DEPARTMENT OF ENERGY

Review of FERC's Control Over Interstate Gas Supplies

(EMD-80-5, 11-6-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Natural Gas Policy Act of 1978. Natural Gas Act. Department of Energy Organization Act.

Although new natural gas legislation has made major changes in the regulation of natural gas supplies, gas already flowing in the interstate system prior to the new act generally remains dedicated to the interstate market unless an abandonment authorization is approved. Because of possible unauthorized diversion of these supplies to more profitable markets, a review was done of the Federal Energy Regulatory Commission's (FERC) control over them.

Findings/Conclusions: The review found that natural gas has been diverted from interstate commerce to more profitable intrastate markets. Interstate sources of natural gas have been abandoned without FERC approval. Procedures for detecting abandonments and diversions have only recently been addressed by FERC and need strengthening. The authority to assess civil penalties against violators was needed. The extent to which the natural gas supplies have been diverted was difficult to ascertain. Recent instances of natural gas supply shortages may have been caused by these diversions.

Recommendations: The Federal Energy Regulatory Commission should prepare a listing of selected producer filings which identify natural gas dedicated to the interstate market. It should develop audit procedures for the purpose of detecting unauthorized abandonments and diversions; establish and implement an audit program to ensure that dedicated supplies are delivered as prescribed and that appropriate and timely filings are made; and continue the recent use of available criminal penalties as appropriate. It should formally seek enabling legislation from the Congress for assessing civil penalies which will increase the Commission's latitude in carrying out their enforcement responsibilities under the Natural Gas Act.

Agency Comments/Action

In its 60-day response to congressional committees, FERC expressed general agreement with the recommendation. Specifically, FERC said that it would, on a selected basis, determine whether producers have sought appropriate Commission authorizations before abandoning interstate service from certain deducted averages. Continuing work in this area will depend on the tangible benefits that result from this effort. FERC also agreed to (1) continue seeking criminal penalties for willful violations of the Natural Gas Act, and (2) seek legislative authority from the Congress to assess civil penalties that will increase FERC latitude in enforcing the Natural Gas Act.

Appropriations

Energy information, policy, and regulation - Department of Energy, Federal Energy Regulatory Commission

Appropriations Committee Issues

While conducting field audits of natural gas producers, the Commission should ensure that interstate supplies of natural gas that have been dedicated under the Natural Gas Act of 1938 are delivered as prescribed and that appropriate and timely filings are made.

DEPARTMENT OF ENERGY

Rocky Mountain Energy Resource Development: Status, Potential, and Socioeconomic Issues

(EMD-77-23, 3-2-77)

Budget Function: Natural Resources, Environment, and Energy: Energy (0305)
Legislative Authority: Federal Coal Leasing Amendments Act of 1975 (P.L. 94-377). Federal Land Policy and Management Act of 1976 (P.L. 94-579). P.L. 94-565.

Rapid and extensive development of the uranium, oil shale, and coal resources in the relatively sparsely populated Rocky Mountain States may have profound socioeconomic and environmental effects on the area.

Recommendations: The Under Secretary's Group for Regional Operations should: (1) take whatever action may be necessary to open and staff an office where State and local officials can obtain advice on the availability of Federal assistance programs and, if necessary, assistance in applying for such aid; (2) monitor and periodically evaluate the work of the office and the need for additional Federal assistance to Rocky Mountain State and local communities affected by energy development; and (3) direct that any such office established by the group prepare an annual report to the President evaluating the need for additional Federal assistance. Although the need for additional Federal assistance at this time has not been demonstrated, if the Congress wishes to further help Rocky Mountain communities, any such assistance should be contingent on the States taking actions to meet a minimum level of assistance to communities affected by energy development and on the States developing plans to systematically deal with the impacts. The States should be required to clearly demonstrate in these plans that the assistance would actually be used to help energy-affected communities.

Agency Comments/Action

The Office of Management and Budget and the Department of the Interior generally agreed with the GAO conclusions, and the Western Governors' Regional Energy Policy Office disagreed with them. The Federal Energy Administration said that mitigating socioeconomic impacts of energy resource development would require cooperation and coordination among all Federal agencies, not a massive increase in Federal assistance. The Council on Environmental Quality believed that the report did not support a conclusion that the need for additional Federal assistance had not been demonstrated. GAO testified on the 96th Congress proposals for energy impact assistance, S.1699 and Amendment 395 to S. 1308. These proposals would amend the Powerplant and Industrial Fuel Use Act of 1978 to provide increased assistance to communities affected by energy development. This legislation is generally consistent with the recommendations of our report if the Congress determines that there is a need for more Federal impact assistance.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The main issue still before the Congress is "Has the need for additional Federal energy impact assistance now been demonstrated?" In the July 1977 report, GAO determined that the need has not been demonstrated for the Rocky Mountain area.

DEPARTMENT OF ENERGY

Small Business Participation in the Department of Energy's Solar Energy Programs

(EMD-80-119, 9-29-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Department of Energy Act of 1978-Civilian Applications (42 U.S.C. 7256). Small Business Act (15 U.S.C. 644).

GAO was asked to review a number of matters regarding small business participation in the Department of Energy's (DOE) solar energy programs. The areas reviewed included: (1) the extent to which small businesses participate in the DOE solar energy programs; (2) the DOE efforts to encourage innovativeness by small businesses in the solar area; and (3) the background and experience key DOE officials have in dealing with small businesses. Although DOE has taken some actions to encourage small business participation in carrying out its various energy programs, some Members of Congress and small businesses have criticized DOE for not doing enough to encourage the use of small businesses.

Findings/Conclusions: DOE estimates the small businesses' share of solar program funding for fiscal year 1980 to be about 14.5 percent. Direct funding of small businesses for carrying out Federal programs has been relatively low, but small businesses have been much more involved in the solar energy programs by becoming subcontractors to those organizations directly funded by DOE. Although DOE-wide goals have been established, solar-wide goals have not. Some individual solar energy program managers, however, have established goals for their respective programs. The inclusion of small businesses in these programs requires close monitoring, but GAO found that the DOE Integrated Procurement Management Information System (IPMIS) was not delivering adequate information on small businesses. DOE has two programs which are intended to encourage innovations by small businesses, but neither was designed especially for encouraging solar-related ideas, and both are relatively small. However, individual solar program managers have used various funding approaches to encourage innovativeness by small businesses within their respective programs. The prior work experience of 14 key DOE officials associated with the solar energy programs indicated only limited small business experience. In addition, none had received any training aimed at understanding the difficulties that small businesses face.

Recommendations: The Secretary of Energy should: (1) direct that goals be established for using small businesses in the solar energy program, as a whole, and for individual solar energy programs, and that such goals be considered in formulating the DOE overall procurement goals for small businesses; (2) give priority attention to correcting existing problems surrounding the use of the IPMIS and to monitoring the continuing development of the system to ensure adherence to the present schedule for incorporating summary data on subcontracts; and (3) emphasize the need for solar program officials to obtain training to become more sensitive and aware of small business problems.

Agency Comments/Action

Agency comments had not been received as of October 30, 1980.

Appropriations

Energy supply, research and development activities, operating expenses - Department of Energy

Appropriations Committee Issues

The Committees should monitor the extent of funds going to small businesses in DOE solar energy programs.

DEPARTMENT OF ENERGY

The Solar in Federal Buildings Demonstration Program

(EMD-79-84, 8-10-79)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: National Energy Conservation Policy Act.

The Solar in Federal Buildings Demonstration Program was proposed as a major initiative to demonstrate the Federal Government's leadership in promoting conservation and the use of renewable resources in its own buildings. However, because the Department of Energy (DOE) has not developed a comprehensive strategy or assumed its mandated leadership responsibilities, this new program is being carried out in isolation from other conservation and solar effects for Federal buildings.

Findings/Conclusions: DOE does not appear to be fully committed to this new program even though it represents a significant commercialization effort. Basic management and staff support functions will be performed by the National Aeronautics and Space Administration (NASA) rather than DOE personnel. DOE has also not requested the full funding authorized by Congress nor an extension of the program to the 3-year period originally proposed by the administration in the National Energy Policy. This lack of commitment is especially serious in view of the fact that the President set a national goal for meeting 20 percent of the country's energy needs with solar and renewable resources by the end of the century. The manner in which DOE is proceeding with the development of this program will severely restrain the impact that was intended for the program in both the Federal and private sectors.

Recommendations: DOE should: (1) assume and carry out its mandated leadership and coordination responsibilities by developing a comprehensive strategy and plan to guide and integrate conservation and solar efforts for Federal buildings; (2) within the framework of the 10-year Federal Buildings Plan, establish a mechanism to coordinate all conservation and solar efforts; (3) revise the proposed rules for preliminary energy audits of Federal buildings to require that consistent data be collected for all buildings; (4) reevaluate the extensive use of NASA to provide basic management and staff support to the program; (5) implement a Federal buildings solar program on the scale envisioned by the President and Congress; and (6) review and resolve the life cycle cost-effectiveness problems that have been identified as major impediments to the use of solar technology in Federal buildings.

Agency Comments/Action

In written comments on the reports, the Department of Energy expressed its general agreement with the recommendations. However, GAO is unaware of any specific corrective actions which have been taken to date.

Appropriations

Solar Federal Buildings Program - Department of Energy, Assistant Secretary for Conservation and Solar Energy

Appropriations Committee Issues

The Department of Energy should develop a comprehensive strategy and plan to guide and integrate conservation and solar efforts for Federal buildings. This strategy should be articulated both within the 10-year Federal Buildings Plan and any national plan for the solar program on the scale envisioned by the President or Congress. This would entail requesting the full $100 million budgetary authority approved by Congress.

DEPARTMENT OF ENERGY

Special Rate Treatment Allowed Natural Gas Pipeline Production Programs

(EMD-80-10, 10-26-79)

Budget Function: Energy (0270)
Legislative Authority: Natural Gas Act. Legislative Reorganization Act of 1970. FPC Opinion 568.

A study examined rulings by the Federal Energy Regulatory Commission (FERC) and its predecessor, the Federal Power Commission (FPC), which afforded certain natural gas pipeline companies financial assistance to conduct natural gas exploration and production programs by allowing such companies to charge special prices for the gas they produced. The rulings, initially made by the FPC, were designed to permit special rate treatment of some interstate pipeline companies in the sale of gas produced from bases acquired on or after October 8, 1969, to offset the cost of exploration not incurred by intrastate pipeline companies. Prior to the Natural Gas Policy Act, enacted November 8, 1978, intrastate natural gas prices were substantially higher than interstate gas prices; the act will eventually eliminate this price disparity. Careful examination was made of the largest two of the four companies given special rate treatment, while limited information was gathered on the remaining two companies. The report addressed the FPC rulings which permitted the companies special rate treatment and FPC/FERC administration and monitoring of the programs.

Findings/Conclusions: It was determined that the design and administration of the special rate programs were inadequate. Consequently, the FPC/FERC could not provide assurance that its rulings on special rate treatments were just and reasonable or that the programs were properly administered. Specifically, the FPC/FERC did not determine the need for applying the special rate treatment to leases on Federal domain and whether such rates would provide the pipelines operating on Federal lands an undue financial advantage in relation to other producers of natural gas for the interstate market; did not set limits on the size of all programs, relative to company needs, and the cost the companies could charge their customers for gas produced under the programs; and did not require adequate reporting or timely evaluation of program results and costs.

Recommendations: The FERC should (1) determine, on the basis of documented cost-benefit analyses, the need for special rate treatments; (2) set limits on the size of special rate treatment programs, relative to company needs, and on the costs companies can charge customers for gas produced under the programs; and (3) require periodic reporting on program progress and results to facilitate meaningful program evaluations of this and any other special program or experiment.

Agency Comments/Action

In commenting on the need for program evaluations, the Commission staff said that all the benefits pipeline customers can realize through potential increases in gas supplies is something on which a dollar amount cannot be placed. No agency action to evaluate the benefits of the special rate treatment program against increased customer costs for gas is planned. The Commission staff did not address the report's recommendations. It said that the final interpretation of the Natural Gas Policy Act of 1978 could make the recommendations moot. No agency action was planned.

Appropriations

Gas regulations - Department of Energy, Federal Energy Regulatory Commission

Appropriations Committee Issues

The Committees should direct the Federal Energy Regulatory Commission to determine if the need exists for applying the special rate treatment to leases on Federal domain land. Also, the Commission should set limits on the size of all special rate programs, relative to company needs, and the costs companies can charge customers for gas produced under the programs. The Commission needs to establish a system requiring a timely evaluation and reporting of program results and costs.

DEPARTMENT OF ENERGY

Three Mile Island: The Financial Fallout

(EMD-80-89, 7-7-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Public Utility Holding Company Act of 1935 (15 U.S.C. 79). Atomic Energy Act of 1954. Energy Reorganization Act of 1974. Federal Power Act. Department of Energy Organization Act (P.L. 95-91). Public Utility Regulatory Policies Act of 1978 (P.L. 95-617). Price-Anderson Act (Atomic Energy Damages).

The nuclear accident at the Three Mile Island powerplant triggered a number of serious problems for the General Public Utilities Corporation and affiliated companies, including a near financial crisis as they moved to purchase high-cost replacement power to maintain service to their customers. The companies must spend $500-600 million to decontaminate and repair the damaged nuclear reactor and related facilites while continuing to fund an additional $2 to 3 billion in capital expenditures to insure reliable electric service to their customers. GAO explored the financial alternatives for meeting the large costs and explored whether Federal and State regulatory agencies effectively dealt with the situation. The corporation, through its extensive interconnections with other utility systems, was able to buy power to replace that lost from the Three Mile Island reactors, but the largely oil-generated power had a high cost. This high cost of replacement power was not initially included in customers' utility rates and the companies had to find outside funding. Rate increases were finally approved by State regulatory agencies, but the actual costs made it difficult for the companies to meet current expenses. Reduced earnings will likely affect the companies' ability to pay clean-up costs and maintain reliability. Regulatory controls over these activities are fragmented among three Federal and two State agencies and provide no clear direction for planning clean-up, additional capacity requirements, and methods of financing.
Findings Conclusions: The financial stability of the General Public Utilities system has been seriously affected by the results of the accident, but recent State regulatory decisions have temporarily alleviated the system's cash flow problems and maintained the system's solvency. Removal of the Three Mile Island units from the companies' rate base considerations has an adverse impact on earnings needed to assure the system's future financial viability and the continuation of reliable power supplies. The Three Mile Island accident has severely limited the system companies' ability to obtain funds from the capital market. The loss of earnings capability raises questions as to the system's ability to fund Three Mile Island clean-up costs and needed generating capacity. Federal regulatory agencies have done little to expedite the system's recovery from the accident. Further examination of the Three Mile Island aftermath is warranted.
Recommendations: The Secretary of Energy should undertake a detailed study of the General Public Utilites system regarding its future role as a provider of electric power, the financial considerations involved in ensuring the system can fill such a role, the ways in which finances can best be obtained, and the relationships of the various State and Federal regulatory agencies with respect to the system's current problems. The Chairman, Nuclear Regulatory Commission, and the Chairman, Federal Energy Regulatory Commission, should cooperate and contribute to this study to the fullest extent possible. Given the wide range of studies either completed or underway on a number of issues to be considered by the study, GAO believes the report should be presented to Congress no later than February 1, 1981, including a statement of any specific actions to be taken by the utilities or any of the Federal agencies and any recommendations to Congress. The Nuclear Regulatory Commission should move as quickly as possible, while taking all necessary steps to protect the public health and safety, to consider and act on the question of restarting Three Mile Island unit 1. The Chairman should cooperate fully with the Secretary of Energy in the study of the General Public Utilities system and its needs, and provide all possible assistance in fully developing the regulatory responsibilities of the Commission as they relate to the restart, clean-up, and recommissioning of the nuclear units.

Agency Comments/Action

No comments had been received as of the date that this report was prepared.

Appropriations

Utility systems - Department of Energy, Economic Regulatory Administration

Appropriations Committee Issues

The Committees should monitor the implementation of the report's recommendations by the Department of Energy.

DEPARTMENT OF ENERGY

The 20-Percent Solar Energy Goal--Is There a Plan To Attain It?

(EMD-80-64, 3-31-80)

Budget Function: Energy: Energy Supply (0271)

GAO was requested to examine the efforts being taken by the Administration and the Department of Energy to attain the President's goal of meeting 20 percent of the Nation's energy needs from solar resources by the year 2000. This goal assumed a strong, concerted effort by Federal, State, and local governments, private industry, and energy consumers. In his Solar Message of June 20, 1979, the President named approximately 50 key elements or actions relating to the attainment of the solar goal and established the Solar Subcommittee as a permanent standing subcommittee of the Energy Coordinating Committee to monitor and direct all Federal solar programs.

Findings/Conclusions: While actions are underway towards several legislative initiatives and the Solar Subcommittee has been created, none have yet been finalized. The primary concern of GAO related to the total lack of a comprehensive plan for attaining the solar goal.

Recommendations: The Secretary of Energy should develop a plan to attain the 20 percent solar goal and periodically review this plan to determine its effectiveness. Further, the Secretary should furnish the plan to the congressional oversight and budget committees as soon as possible so that it can be of assistance to the committees in their deliberations on solar energy policy and budget matters.

Agency Comments/Action

No comments were received as of July 10, 1980.

Appropriations

Energy supply, research and development activities - Department of Energy

Operating expenses - Department of Energy

Appropriations Committee Issues

DOE should provide to the Appropriations Committees a plan for achieving the 20-percent goal as soon as possible to be assistance in their deliberations on solar energy policy and budget matters.

DEPARTMENT OF ENERGY

Uncertainties About the Effectiveness of Federal Programs To Make New Buildings More Energy Efficient

(EMD-80-32, 1-28-80)

Budget Function: Energy: Energy Conservation (0272)

Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385).

An evaluation is reported of the States' progress in developing and implementing thermal efficiency standards for new buildings as part of the State Energy Conservation Program. Issues are discussed which may impede the timely and effective implementation of building energy performance standards currently being developed by the Department of Energy (DOE). The State Energy Conservation program provides for each State to establish a number of conservation programs, including building standards stressing thermal efficiency, to achieve State conservation goals. The Energy Performance Standards for New Buildings Program will govern the design and construction of new commercial and residential buildings to achieve the maximum number of practical improvements in energy efficiency and to increase the use of nondepletable energy in new buildings.

Findings/Conclusions: The effectiveness of the State Energy Conservation Program is uncertain. Many States had not implemented thermal efficiency standards by the DOE target date of January 1, 1978. These delays could reduce the projected 1980 energy savings by the equivalent of about 46,000 barrels of oil per day. About 41 States had adopted some type of thermal efficiency standards by September 1979. In some of these States, standards have not been established for all building categories, are not mandatory for all new construction, or are not mandatory in all jurisdictions of the State. Because DOE has not consistently applied the compliance criteria it has developed to all States, compliance with the law or DOE regulations has not been assured. The implementation of the Building Energy Performance Standards Program can be expedited if States and local governments have fully implemented thermal efficiency standards before the performance standards become effective. Because many State and local governments have not yet adopted thermal efficiency standards, most States do not know which building standards local governments have adopted and if or how local governments are enforcing State standards. In this situation, States will not be able to certify that all jurisdictions have adopted and are enforcing building codes consistent with the performance standards, when they become effective.

Recommendations: With respect to the State Energy Conservation Program, the Secretary of DOE should assess the way State compliance with program requirements for fiscal year 1979 was determined. If any State is determined not to be in full compliance, the Secretary should consider granting more time for such a State to comply. With respect to the building energy performance standards program, the Secretary should: continue to work with the States and/or local jurisdictions to assist them in adopting and enforcing thermal efficiency standards, even if the statutory authorization for the State Energy Conservation Program expires; work jointly with the States to monitor local jurisdictions' standards implementation activities, so that States will have a reliable basis for certifying compliance with the building energy performance standards, when promulgated, and develop and implement a management system providing a data base for effectively evaluating the program when implemented.

Agency Comments/Action

In April 1980, DOE reported to the House Committee on Government Operations and the Senate Committee on Governmental Affairs, that while DOE had assessed, on a State-by-State basis, the extent of State compliance with mandatory program measures, the assessment did not address, on a consistent basis, the concerns of GAO. Therefore, DOE stated it would undertake a reassessment which will address the specific points raised by GAO. DOE stated it would use the information to (1) help make an accurate assessment of the thermal efficiency code compliance status of States and local governments, (2) encourage more States to implement thermal standards, and (3) serve as a basis for States' implementation of energy performance standards. DOE additionally pointed out that it understood that its mission was to help States come into compliance with program requirements as soon as possible. However, DOE pointed out that when it found that a State had not made a good faith effort to comply, it would be obligated to discontinue that State's participation.

Appropriations

Energy conservation - Department of Energy. Assistant Secretary for Conservation and Solar Energy

Appropriations Committee Issues

DOE needs to reassess its determinations of State compliance with the requirement for implementing thermal efficiency standards for new buildings under the State Energy Conservation Program. In addition, DOE needs to work closely with States to accelerate the adoption of thermal efficiency standards, so that implementation of building energy performance standards being developed by DOE can be facilitated.

DEPARTMENT OF ENERGY

Uranium Enrichment Policies and Operations: Status and Future Needs

(EMD-77-64, 11-18-77)

Budget Function: Natural Resources, Environment, and Energy: Energy (0305)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Atomic Energy Act of 1954. S. 2035 (94th Cong.). H.R. 8401 (94th Cong.).

The three U.S. Government-owned uranium enrichment plants which prepare uranium for use as nuclear reactor fuel provide enrichment services to all U.S. nuclear reactors, all Government research and weapons programs, and most foreign reactors.

Findings/Conclusions: When additional enrichment plants beyond those currently planned will be needed depends largely on nuclear power growth, the U.S. share of the foreign enrichment service market, and the use of existing plants and enriched uranium supplies. If there is a uranium shortage and the United States obtains 35 percent of the foreign market, future enrichment plants will be needed by the 1990's. The only option for meeting long-term demand is to build additional plants.

Recommendations: The Secretary of Energy should: document the results of monitoring the impact of removing or relaxing restrictions on utilities' use of foreign uranium for use by the Congress, industry, and the public; promptly publicize the agency's current stockpile policy and the basis for that policy; examine, with the Department of Defense, the advantages and disadvantages of using some retired weapons material in the civilian nuclear power program; prepare and implement a new operating strategy and make it available in report form to interested parties; determine, with the Department of State, the portion of the foreign market necessary to achieve the President's nonproliferation objectives and establish foreign enrichment goals by which to measure the Nation's progress in achieving those objectives and to facilitate planning for future enrichment plants; gradually increase the price of all uranium sold from its stockpile until it equals the market price at the time the Government's uranium is sold; and discontinue the policy of allowing credits for uranium obtained from residual material that is being recycled and charge customers for the uranium they receive.

Agency Comments/Action

The Department of Energy agreed to (1) document the results of monitoring the impact of removing or relaxing restrictions on U.S. utilities' use of foreign uranium, (2) publicize its uranium stockpile policy, (3) prepare and implement a new operating strategy and make it available in report form to interested parties, and (4) work closely with the State Department and other concerned agencies to develop ways of improving nuclear fuel assurances. The Department disagreed with our recommendations to (1) gradually increase the price of all uranium sold until it equals the market price at the time the Government's uranium is sold, and (2) discontinue the policy of allowing credits for uranium obtained from recycled tails material. Two DOE uranium price increases and changes in the uranium market have largely taken care of the first recommendation. The second recommendation is still valid.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The Appropriations Committees should encourage the Department of Energy to promptly adopt the recommendations to gradually increase the price of its uranium and to discontinue allowing credits for recycled uranium.

DEPARTMENT OF ENERGY

Use, Cost, Purpose, and Makeup of Department of Energy Advisory Committees

(EMD-79-17, 2-2-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Federal Advisory Committee Act of 1972 (P.L. 92-463). P.L. 86-599. OMB Circular A-63.

The Department of Energy's (DOE) advisory committees were reviewed in regard to their purpose, cost, utilization, and structure. DOE has made a major effort to reduce and consolidate its advisory committees with about a one-third reduction since October 1977. It has also sought to review and revise the membership on all its committees.

Findings/Conclusions: Certain features of DOE's advisory committee management system still need improvement: (1) many of DOE's advisory committee charters are not specific in objectives and scope; (2) DOE does not have overall written membership selection guidelines to assure that all selection criteria are consistently applied and that committees are of optimum size; and (3) all applicable support costs were not being allocated to the committees. Some 12 of the 20 current DOE charters do not contain specific committee objectives and scope, and 18 of these charters do not contain specific timespans for the committee to accomplish its purpose.

Recommendations: DOE should: (1) insure that each advisory committee charter contain clear and specific statements of purpose and specific timespans for a committee to accomplish its purpose; (2) develop overall written membership selection guidelines to assure that all selection criteria are consistently applied and that committees are of optimum size; and (3) develop guidelines for allocating costs to advisory committees and monitor committee activities to insure that all applicable costs are properly allocated. The General Services Administration should require that every executive agency advisory committee charter be clear and specific in stating its purpose and include a specific timespan for accomplishment of its purpose.

Agency Comments/Action

The Department of Energy has implemented an accounting code tracking system on advisory committee expenditures. The Department does disagree, however, with the remaining recommendations concerning the need for (1) more specific and clear statements of advisory committee purpose, and (2) the development of written membership selection guidelines.

Appropriations

Operating expenses and capital acquisition - Department of Energy, Office of Consumer Affairs

Appropriations Committee Issues

GAO remained convinced that the initiation of the recommendation could improve the Department of Energy's Advisory Committee Management.

DEPARTMENT OF ENERGY

U.S. Fast Breeder Reactor Program Needs Direction

(EMD-80-81, 9-22-80)

Budget Function: Energy: Energy Supply (0271)

The Administration and Congress have not been able to agree on the future role of fast nuclear breeder reactors. They cannot decide whether to rely on nuclear power as a long- or short-term energy supply source. If a long-term future for nuclear power is desired, or even if a nuclear option is to be maintained, construction and operation of a fast breeder demonstration plant is needed. The date for the commercialization of the liquid metal fast breeder reactor (LMFBR) has been postponed from 1986 to about 2020. The reasons given for the delay included concern that plutonium-based nuclear fuels may lead to international nuclear weapons proliferation, projections supporting a diminished need for commercial breeder reactors, projections that LMFBR's would not become economically competitive for several decades, questions about the safety of LMFBR's, and the belief that the Clinch River Breeder Reactor was too small, too costly, and technically obsolete. In fiscal year 1981, the Department of Energy (DOE) is planning to terminate its participation in the gas-cooled fast breeder reactor program while continuing to fund the light water breeder reactor program. But the light water breeder reactor program cannot be viewed as an alternative or backup to LMFBR's because its objective and purpose are different. DOE withdrawal from participation in the technology development program will probably cause the collapse of the industrial infrastructure that has grown in support of the program, and consequently, the only nuclear alternative to the LMFBR program will be lost.

Findings/Conclusions: GAO believes that the current strategy of postponing the commercialization date of the LMFBR program will not necessarily enable this country to achieve its nonproliferation goals. The projections of the availability of uranium are uncertain. Unanticipated events could increase the future demand for nuclear energy and the need for an early commercialization of breeder reactors. The ultimate economics of the LMFBR program are difficult to accurately project. The LMFBR is no more or less safe than the current generation of light water reactors. The LMFBR program lacks a clear mission. The disagreement between Congress and the Administration has made planning and directing the program difficult for DOE. Recent actions by the Administration underscore its desire to kill the Clinch River project and to defer any commitment for a substitute plant. A strong LMFBR program includes constructing and operating a plant, something which has not been done. A backup technology should be available for development in case the LMFBR program fails to meet its objectives.

Recommendations: If Congress wishes to maintain a nuclear option or if it wishes to commit to nuclear power as a long-term energy source, it should require DOE to demonstrate the viability of the LMFBR technology by mandating the construction of a breeder reactor facility. GAO is not necessarily advocating the completion of the Clinch River project as the only means of moving the program forward. The only resolution may be to move ahead with a larger, more recently designed facility instead of the Clinch River Project. Congress may wish to make it clear that it is not adopting a policy that would encourage premature commercial breeder deployment in this country. A commitment to a long-term nuclear option should include continued support for the gas-cooled fast breeder reactor program. Congress should continue to fund the program at least until the program reaches a decision point on whether to construct and operate a demonstration facility. If Congress cannot reach a resolution on whether to preserve the breeder option, or if it does not wish to do so, it should consider terminating the breeder program.

Agency Comments/Action

DOE provided written comments on the report and essentially agreed with the finding that a central organizing principle and schedule were desirable for effective management of the breeder reactor program. Moreover, DOE recognized that there was no national policy guidance on whether or when breeder reactors will need to be commercially deployed. On the other hand, DOE stated that it had developed a rational approach for the development of the technology in spite of these impediments. Nonetheless, GAO disagreed with this assertion by DOE because the rational approaches they referred to were neither up-to-date nor officially authorized by the Executive Branch.

Appropriations

Energy research and development - Department of Energy, Division of Reactor Research and Technology

Appropriations Committee Issues

The Committees should consider whether to continue funding a multi-million dollar energy research program that now appears to be stagnant, or whether to terminate the program.

DEPARTMENT OF ENERGY

U.S. Refining Capacity: How Much Is Enough?

(EMD-78-77, 1-15-79)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Coastal Zone Management Act of 1972 (P.L. 92-583). National Energy Act. Department of Energy Organization Act (P.L. 95-91). Emergency Petroleum Allocation Act of 1973 (P.L. 93-159). Clean Air Act (42 U.S.C. 7401).

Between 83 and 92 percent of the Nation's petroleum products are provided by U.S.-based refineries, and the U.S. refining industry is planning capacity additions in order to maintain this position. The Department of Energy (DOE) must define refining capacity needs after evaluating the domestic and international tradeoffs involved. The following domestic factors are reviewed by GAO: concern for air quality and related air quality regulations; multiple use of the coastal zone under the Coastal Zone Management Act; pricing and allocation regulations; gasoline lead-content restrictions; environmental and technological requirements for desulfurization equipment; and the Crude Oil Entitlements Program.

Findings Conclusions: After reviewing domestic programs and policies and international considerations, GAO believes that DOE has not evaluated the tradeoffs necessary to establish a definitive U.S. refining policy. In response to this need, the Department of Energy recently initiated a study to identify future U.S. refining capacity needs.

Recommendations: As part of the study to identify future U.S. refining capacity needs, the Secretary of Energy should analyze the international and domestic implications of alternative levels of U.S. refining capacity and determine the criteria for Government involvement in effecting any desired levels. This analysis should include an evaluation of the environmental, economic, national security, and technical tradeoffs necessary to meet various domestic capacity levels. The future U.S. refining capacity needs should be determined after consideration of such factors as the optimum mix of refinery sizes necessary to insure desired levels of U.S. petroleum products and the optimum relationship with U.S. petroleum product consumption. Possible policies and actions should be analyzed and submitted to the appropriate congressional energy committees. The submission should include an analysis of the advantages and disadvantages of using incentive versus disincentive alternatives to meet desired capacity needs, and should include an analysis of the probable marketplace reactions to Government regulations. The submission should also include any needed legislative proposals in the event that progress is not being made.

Appropriations

Operating expenses and capital acquisition - Department of Energy, Office of Policy and Evaluation

Appropriations Committee Issues

To date DOE has not completed its analysis of future U.S. refinery capacity needs. DOE should submit the completed study and documentation of Government policies and actions necessary to attain optimum domestic capacity to the Appropriations and other energy committees.

DEPARTMENT OF ENERGY

ENERGY INFORMATION ADMINISTRATION

Natural Gas Reserves Estimates: A Good Federal Program Emerging, but Problems and Duplications Persist

(EMD-78-68, 6-15-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978. Natural Gas Act (P.L. 75-688). Department of Energy Organization Act (91 Stat. 572; 42 U.S.C. 7101). Phillips Petroleum Co. v. Wisconsin, 347 U.S. 672 (1945).

The Government relies on the natural gas reserves' estimates published annually by an industry trade association, but the creditability of these estimates has been challenged in recent years because the data could not be independently verified. The Energy Information Administration (EIA) is developing a program with an appropriate and comprehensive approach to collect these estimates.

Findings/Conclusions: However, further development and improvement in the program are needed. The EIA program will collect national estimates of reserves and related data for natural gas, crude oil, and natural gas liquids. The approach to obtain the information from the lease operators is sound because they have the best knowledge of the reserves, both on and offshore. The EIA program was supposed to supersede duplicative Government programs, but two programs are continuing which are less comprehensive. The Geological Survey program will collect information only on leases on the Outer Continental Shelf. The Federal Energy Regulatory Commission program will collect information only on natural gas and not from companies operating exclusively in the intrastate markets. The Department of the Interior is required to investigate trade associations' natural gas reserves estimates on the Outer Continental Shelf and provide estimates of oil and natural gas reserves to States and local governments. These requirements should not be used as support for a duplicative reserves estimation program, but should be met through use of reserves estimates collected under the EIA program.

Recommendations: The Secretary of Energy should direct the EIA Administrator to document whether all the data to be collected under the oil and gas reserves information program are needed to fulfill Government responsibilities; conduct a pilot test of the data collection form; and emphasize the development of a strong validation program to make sure that the data collected are accurate and complete. The Federal Energy Regulatory Commission should advise EIA that it does not require the EIA program to collect data on individual reservoirs. The Secretary of the Interior should meet the requirements for reserves estimates of oil and natural gas through the use of reserves estimates collected by the EIA program. The President should eliminate the staff positions authorized for the Geological Survey Reserves Inventory Program and add to EIA the number of positions needed to fully staff its validation program. Congress should not appropriate any additional funds for the Reserves Inventory Program of the Geological Survey.

Agency Comments/Action

Interior continues to contend that it needs to operate its duplicate program, but does not provide new justification for doing so. All justification was rebutted in the report.

Appropriations

Federal lands - Department of the Interior, United States Geological Survey

Appropriations Committee Issues

The recommendation to eliminate the duplicative and expensive Interior program is still a valid recommendation.

DEPARTMENT OF ENERGY

ENERGY INFORMATION ADMINISTRATION
FEDERAL ENERGY REGULATORY COMMISSION
FEDERAL POWER COMMISSION

Guidance Needed on Use of Natural Gas Price Escalator Clauses

(EMD-80-53, 7-25-80)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Department of Energy Organization Act (42 U.S.C. 7107). Natural Gas Act (15 U.S.C. 717). Natural Gas Policy Act of 1978. Executive Order 12044. 95 Cong. Rec. S15021 (1978). FERC Order 23. FERC Order 23-A. FERC Order 23-B. FERC Opinion 77. Phillips Petroleum v. Wisconsin. 347 U.S. 672 (1954).

Price escalator clauses permit producers to raise the initial price of natural gas over a period of time or to raise the price when some outside event occurs. In December 1978, the Federal Energy Regulatory Commission (FERC) issued interim regulations implementing the Natural Gas Policy Act of 1978. FERC stated that establishing maximum lawful prices under the act would not trigger any indefinite price escalator clauses in existing interstate or intrastate contracts. However, in March 1979, FERC stated that it would not prevent price escalator clauses from operating to obtain the maximum lawful prices under the act. The FERC initial decision, as well as its reversal, has created controversy over the treatment of price escalator clauses.

Findings/Conclusions: The examination of the act and its legislative history by GAO disclosed that neither FERC nor Congress clearly addressed whether price escalator clauses in existing interstate contracts can be used to obtain the maximum prices under the law. In a report to Congress, FERC stated that producers could charge the maximum lawful prices if the language in their contracts so permitted. However, no explanation was given as to what type of language in the contracts would constitute contractual authority. Similarly, the act contained no reference to price escalator clauses in existing intrastate contracts other than to discuss how they would be handled after 1984. Further, GAO found that FERC failed to assess the economic impact of the escalator clauses on natural gas consumers.

The controversy over the usage of escalator clauses has led to price increases ranging from a few cents to over $2 per million British thermal units above prices charged prior to the passage of the act.

Recommendations: The Chairman, FERC, should: (1) establish a system which should be in operation prior to the 1980-81 heating season to monitor the results of its price escalator clause decisions; (2) when appropriate, obtain clarification of congressional intent in future situations involving energy issues of national importance; and (3) conduct accurate economic impact analyses prior to making decisions and establish monitoring systems to determine if intended results are achieved. The Congress should amend the Natural Gas Policy Act of 1978 to provide guidance with respect to the price escalator clause issue.

Appropriations

Energy information, policy and legislation - Department of Energy

Appropriations Committee Issues

Congress should amend the Natural Gas Policy Act of 1978 to provide guidance with respect to the price escalator clause issue.

DEPARTMENT OF ENERGY

OFFICE OF CONSERVATION AND SOLAR APPLICATIONS
OFFICE OF RESOURCE APPLICATIONS

Loan Guarantees for Alternative Fuel Demonstration Facilities
(EMD-79-35, 4-3-79)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Department of Energy Act of 1978 - Civilian Applications (P.L. 95-238). Federal Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901 et seq.).

Loan guarantees may be issued for demonstration facilities to produce alternative fuels or to convert municipal and industrial waste into synthetic fuels. The loan guarantee program of the Department of Energy is administered by three groups: the Urban Technology Branch, the Office of Industrial Energy Conservation, and the high-Btu gasification Resource Manager. Within 180 days after the passage of the Department of Energy Act of 1978 - Civilian Applications, the Department was to report on the opportunities to implement the program. The Department was unable to provide comprehensive plans at this time, however, because of the complexity of the regulations and because of internal coordination problems. A funding request was denied by the Office of Management and Budget.

Recommendations: The requirement for audit of recipients every 6 months is unnecessarily restrictive, since periodic audits are a part of ongoing GAO audit responsibilities. The audit provisions in the Federal Nonnuclear Energy Research and Development Act of 1974 should be eliminated by amending authorization legislation of the Department of Energy.

Agency Comments/Action

No action has yet been taken to implement the recommendation. GAO believes a legislative audit requirement is unnecessarily restrictive.

Appropriations

Energy security reserve - Department of Energy

Appropriations Committee Issues

GAO continues to believe that the requirement for audit of recipients every 6 months is unnecessarily restrictive and should be eliminated.

DEPARTMENT OF ENERGY

WESTERN AREA POWER ADMINISTRATION

Electrical Energy Development in the Pacific Southwest

(EMD-79-73, 10-16-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Public Utility Regulatory Policies Act of 1978. (P.L. 95-617).

As part of an effort to assess past and potential roles for Federal power agencies within their respective geographic regions, GAO examined the role of the Western Area Power Administration (WAPA) in the Pacific Southwest (Arizona, California, and Nevada). The 10 energy principles cited in the April 1977 National Energy Plan provided the assessment criteria.

Findings Conclusions: Because of the unreliability of oil imports, escalating fuel and plant construction costs, environmental concerns, and delays in obtaining approval for nuclear powerplant construction, plans to rely on coal, oil, and nuclear energy to provide for the Pacific Southwest's energy needs through the 1990's have become uncertain. Increasingly, utility companies and State and Federal Governments have considered conservation and the development of renewable energy resources such as solar, wind, geothermal, and biomass. The report analyzed two scenarios for fulfilling the electricity needs of the Pacific Southwest by the year 2000. Scenario I policies restate current State and utility energy policies: heavy reliance on coal and nuclear resources, with efforts to conserve energy and develop minimal amounts of alternative solar and wind resources. Scenario II assumes an aggressive effort by the public, private industry, and the Government to conserve and develop more alternative renewable sources of energy. The analysis demonstrated that Scenario II would provide greater benefits in terms of cost, risk, equity, and environmental impact; would require little change in lifestyle for the general public; and would require no substantial change in current policies at the local, State, Federal, and utility levels. The total estimated costs of these options are \$20.4 billion under Scenario I and \$14.2 billion under Scenario II.

Recommendations: In order to bring about a gradual increase in WAPA rates leading to a parity with average utility rates prevailing in its marketing area by the year 2000 and to assure the Pacific Southwest an adequate supply of electrical power, the Congress should pursue the following policies: (1) relieve WAPA of its charter responsibility for encouraging the widest possible use of electricity at the lowest possible cost and direct it to undertake programs to examine the most appropriate structure of its rates to encourage conservation, consistent with the Public Utility Regulatory Policies Act, and to implement those rates; (2) provide WAPA with bonding authority and direct it to act as a lead agency in its marketing area to help finance conservation and the development of solar and wind resources, and allow funds to be repaid through the power revenues; and (3) provide WAPA with authority to exercise flexibility in power charges.

Agency Comments Action

The Department of Energy believes the report accurately points out that WAPA is not fostering conservation or development of new resources, but questions whether this is a proper role for WAPA. It believes, however, that WAPA could arrive at such a role through an evolutionary process. A Department Task Force is currently studying what role WAPA could play in National Energy demonstrations.

Appropriations

Power marketing - Department of Energy
New line resource applications - Department of Energy

Appropriations Committee Issues

The recommendations in this report are to make legislative changes in the charter of WAPA. WAPA responsibilities would be expanded with such changes and, thus, more expenditures would be required. It would give WAPA bonding authority and, thus, would not require appropriated money. The Appropriations Committee should be aware of and review the increased expenditures.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Difficulties in Evaluating Public Affairs Government-Wide and at the Department of Health, Education, and Welfare

(LCD-79-405, 1-18-79)

Budget Function: Health: Health Research and Education (0552)
Legislative Authority: National Consumer Health Information and Health Promotion Act of 1976 (P.L. 94-317).

In order to test the effectiveness of a major public information program, GAO addressed the following: problems and concerns with the lack of uniform definitions concerning public affairs, information dissemination, education, and advertising; management of public affairs within the Department of Health, Education, and Welfare (HEW); and management of selected health education efforts. The management of two nationwide campaigns, the National High Blood Pressure Education Program and the new smoking and health initiative program, is examined. The questions that need to be answered before undertaking a campaign are as follows: how does each funding request relate to the past and future efforts; what determines the amount of advertising to be used; and what management structures have been considered to achieve program objectives more effectively. Government agencies do not always define what is involved in public affairs, and are not consistent in reporting and evaluating their public affairs costs. **Findings/Conclusions:** Public affairs activities in HEW are managed by the Office of the Assistant Secretary for Public Affairs and by 30 other offices. Although the Assistant Secretary's office is responsible for coordinating and reviewing public affairs activities, departmental oversight has been weak. Public affairs plans, budgets, audiovisual products, and publications were not always submitted to the Assistant Secretary's office for review, contrary to HEW's instructions. In an examination of the smoking and health program, GAO found that there was little indication that the managers had considered many of the essential elements of campaign development. The basis for the fiscal year 1979 budget request for the public information campaign and research on childhood determinants of smoking is unclear, and goals have not been established for the campaign. The high blood pressure program, on the other hand, is well managed and appears to have had some success in controlling hypertension. **Recommendations:** The Director of the Office of Management and Budget should work with the agencies to develop uniform definitions of "public affairs" and "campaigns," and should require all Government agencies to identify in their annual budgets the costs for their public affairs activities. GAO also recommends that the Secretary of HEW should establish guidelines for the evaluation of communications activities to include what activities should be evaluated and what types of evaluations should be conducted. Explanations should be required concerning how public affairs projects submitted for review and approval will be evaluated. If an evaluation is not planned, an adequate justification should be provided. In addition, HEW should develop procedures to ensure that necessary criteria, such as establishing objectives, planning the campaign, and monitoring and evaluating the program, will be adequately and consistently applied to HEW public affairs activities.

Agency Comments/Action

HEW concurred with all of the GAO recommendations and has taken steps to correct the deficiencies. To date OMB has done nothing to implement the recommendations.

Appropriations

Departmental management - Department of Health and Human Services

Appropriations Committee Issues

The Committees should require all Government agencies to identify on their annual budgets the costs for their public affairs activities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Early Childhood and Family Development Programs Improve the Quality of Life for Low-Income Families
(HRD-79-40, 2-6-79)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Education for All Handicapped Children Act (20 U.S.C. 1401). Social Security Act (42 U.S.C. 1396). Social Services Amendments of 1974 (42 U.S.C. 1397).

GAO reviewed the results and costs of federally-funded early childhood development programs for low-income children and their families. About 3.7 million young children are badly in need of help to attain an opportunity to lead successful and healthy lives. Many young children receive inadequate care and millions of children suffer from poor nutrition, a lack of immunization, abuse, neglect, and undiagnosed learning disabilities. In 1975 about 89,000 women who gave birth received little or no prenatal care, thereby increasing the risk of mental retardation in the newborn. It has been estimated that 75 percent of mental retardation can be attributed to adverse environmental conditions.

Findings/Conclusions: Research completed in 1977 indicates that developmental programs for low-income children during their first 4 years of life produced lasting, significant gains; helped them to perform substantially better in school than control groups of children who did not participate in early childhood development programs and were most effective when the child starts at a young age and when parents are closely involved in the program. The research also showed that parents are receptive to and enthusiastically support such programs. The costs of early childhood and family development programs vary, depending on how the programs are implemented and on community needs and resources.

Recommendations: The Congress should consider this report in its deliberations on any future legislation that authorizes comprehensive child care programs. If legislation is enacted, it should require that the programs provide or secure (emphasizing use of existing community resources) comprehensive services for young children and their families who wish to participate, including: preventive and continual health care and nutrition services; family services based on a needs and goals assessment for each family; developmental/educational programs for children from birth through preschool years (with recognition that parents are the first and most important educators of their children); and programs that involve parents in program activities and give parents an influential role in program planning and management. Funding comprehensive child care programs should be increased gradually, and evaluations should be made while they are ongoing. The programs should be revised and improved as new and effective techniques pertaining to the development of young children and families are discovered and refined.

Appropriations

Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

Consideration needs to be given to the many benefits which can result from effective early childhood and family development programs. These programs focusing on prevention could reduce problems contributing to educational and health deficiencies in young children which are expensive and difficult to overcome in later years.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Legislation Allows Black Lung Benefits To Be Awarded Without Adequate Evidence of Disability
(HRD-80-81, 7-28-80)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Coal Mine Health and Safety Act of 1969 (Federal) (30 U.S.C. 801). Black Lung Benefits Reform Act of 1977. Employees' Compensation Act (Injuries) (5 U.S.C. 8101).

The GAO review of a random sample of Social Security Administration approved black lung claims indicated that, in most cases, medical evidence was not adequate to establish a coal miner's disability or death from black lung. Approval of these claims was not contrary to law; it was based on provisions of law which GAO believes do not adequately assure that benefits are provided only to those disabled from black lung or to the survivors of those who died of black lung. The agency approved claims on the basis of affidavits from spouses or other dependent persons, inconclusive medical evidence, and presumptions based on years of coal mine employment. GAO reviewed the agency's administration and processing of the previously denied claims.

Findings/Conclusions: This review of a random sample of agency re-reviewed and approved claims indicated that in 88.5 percent of the cases, medical evidence was not adequate to establish disability or death from black lung. GAO believes that medical evidence should be used as the basis for determining eligibility for black lung benefits, but awarding benefits based on years of employment seems more appropriate for pension programs than disability programs. GAO is currently reviewing the Department of Labor's administration of the program.

Appropriations

Department of Labor, Employment Standards Administration

Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

Millions of dollars in black lung benefits are being awarded to claimants whose claims were not supported by adequate medical evidence of disability or death from black lung.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

State Advance Payments to Aid to Families With Dependent Children Recipients Are Inconsistent With Federal Regulations

(HRD-80-50, 2-7-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: 45 C.F.R. 233.20(a)(2)(i). 45 C.F.R. 233.20(b)(1). 45 C.F.R. 233.20(a)(3).

The Aid to Families with Dependent Children (AFDC) program was examined regarding program policies, management characteristics, and operational procedures in six States and several of their local welfare agencies to identify areas in need of further audit or analysis. One of the issues concerning assistance payments was identified as warranting immediate attention. Pursuant to payment policies believed to be inconsistent with Federal regulations, the States of New York and Massachusetts are making advance payments to AFDC recipients and are obtaining 50 percent Federal participation. During 1978 these payments amounted to about $6 million in New York and about $33.6 million in Massachusetts. Of this, an undeterminable amount of the $6 million and about $1.4 million of the $33.6 million are overpayments, which may not be recouped. Federal regulations require that a State plan must specify a statewide standard, expressed in dollar amounts, to be used in determining the (1) need of applicants and recipients, and (2) amount of the assistance payment. The most recent data available indicated that 22 States, including New York and Massachusetts, provided payments that, along with any recipient income, equal 100 percent of the need standard for all recipients. Federal participation in the assistance payment is available on the basis that any recipient income plus the monthly payment does not exceed the need standard. The regulations further provide for Federal participation in the monthly AFDC grant only if the recipient was eligible on the date aid was paid.
Findings/Conclusions: The New York policy authorizes advance payment of AFDC funds upon request to recipients facing eviction or utility shutoffs for overdue payments. Essentially, these advance payments are loans, because they are in addition to the regular monthly grants. It is believed that this policy is inconsistent with Federal regulations because the additional moneys are: (1) more than the need standard in the approved State plan and are for expenses covered by prior months' grants, and (2) based on the assumption that a recipient will be eligible in the future. This policy does not limit the size, number, or total amount of advances a recipient can obtain and have outstanding. Although these advance payments are subject to repayment from future grants, if a case with an outstanding advance is discontinued from assistance, the advance payment is often not recouped. This results in abuse of the system and little incentive for recipients to budget regular assistance payments. The Massachusetts policy provides AFDC recipients with a portion of their assistance payment in advance quarterly payments. This, too, appears to be inconsistent with regulations because it presumes continued eligibility for a 3-month period. If an applicant becomes eligible during a quarter, he receives a prorated advance based upon the number of semi-monthly pay periods remaining in the quarter. If a recipient becomes ineligible at any time during the quarter, the State does not require repayment. GAO believes these payments should not be federally reimbursed.
Recommendations: The Secretary of Health, Education, and Welfare should disallow claims for Federal participation in these payments and initiate appropriate efforts to recover the Federal share of any outstanding advance payments. The Secretary should revoke her prior approval of the quarterly advance payment policy in Massachusetts and limit Federal participation to payments for those months in each quarter that each recipient was eligible. Further, the Secretary should require the Social Security Administration to review all State AFDC plans and regulations, to see whether their payment policies are consistent with the Code of Federal Regulations, and establish a mechanism within the Administration to make sure that changes are made to those State plans with payment policies that are not consistent with the Code.

Agency Comments/Action

The agency commented that it will meet with Massachusetts to discuss revision of the State plan and negotiate for the State to submit an approvable plan amendment. Concerning New York's advance payments, the agency commented that it is uncertain how to characterize them and, until the question is resolved, it cannot determine whether any disallowances are proper. The agency plans to meet with New York officials to discuss the issue and any changes needed in the State's policy and then determine the appropriate action to be taken. To insure that similar issues are not being overlooked in other States, the agency plans to review State payment and Federal participation practices in regard to advance payments and will prepare a summary report by September 30, 1980.

Appropriations

Aid to Families With Dependent Children Program - Department of Health and Human Services

Appropriations Committee Issues

The Committees should take the necessary steps to assure that HHS (1) discontinues Federal financial participation in any other State's AFDC advance payments which (a) result in payments in excess of the need standard established in its State plan, (b) are based on presumed future eligibility, and (c) do not provide for repayment for any period after recipient ineligibility occurs; and (2) takes action to recover the Federal share of any outstanding advance payments made under State policies which meet any or all of these criteria.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES

Increased Federal Efforts Needed To Better Identify, Treat, and Prevent Child Abuse and Neglect

(HRD-80-66, 4-29-80)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Child Abuse Protection and Treatment Act (P.L. 93-247). Older Americans Act of 1965. Rehabilitation Act of 1973. Social Security Act. H. Rept. 93-685. Moore v. Sims, 47 U.S.L.W. 4693 (1979).

Because of congressional and public concern about child abuse and neglect, GAO undertook a review of the problems States and localities are having in identifying, treating, and preventing child abuse and neglect. The National Center on Child Abuse and Neglect, established within the Department of Health, Education, and Welfare (HEW), is the focal point for Federal efforts to deal with child abuse and neglect. In the review, GAO evaluated the progress and problems of selected States and localities using as criteria the Center's recommended programs. However, the number of reported cases of abuse and neglect continues to rise. According to HEW, reports have risen over 100 percent in the last 4 years. But it is generally recognized that the actual number of cases is much larger than reported.

Findings/Conclusions: The Center estimates that each year 1 million children are abused or neglected and that 2,000 children die from injuries or conditions resulting from abuse and neglect. Moreover, GAO found that although States and localities have made progress in reporting, investigating, treating, and preventing child abuse, the States and localities do not have the capabilities to adequately provide treatment for abused and neglected children and their families. Also, the Center, which is responsible for helping States and localities develop prevention programs by identifying effective programs and approaches and by implementing, expanding, and improving such programs, has not provided adequate leadership and assistance to the States. Before 1978, the Center gave priority to identification, reporting, and treatment. But, the Center has not yet established criteria for assessing the effectiveness of prevention programs. This can in part be a result of the lack of support for the Center by HEW. Although responsibilities have increased, the Center's staff has remained about the same size since 1976, and in 1978 HEW withheld about $469,000 of the Center's research funds and transferred the money to a separate cross-cutting research program to fund projects with broader goals than child abuse and neglect.

Recommendations: The Secretary of HEW should require the National Center on Child Abuse and Neglect to: (1) help States assess how many professionals are and are not reporting child abuse cases; (2) identify problems that hinder professionals from reporting and attempt to resolve them; (3) encourage organizations of professionals required to make child abuse reports to emphasize their importance, (4) help clarify who is responsible for training and educating professionals to recognize and report abuse and neglect; (5) help resolve disagreements about whether State, local, or community organizations should develop standards and definitions of abuse and neglect; (6) encourage the use of definitions and standards for community education and decisions about abuse and neglect; (7) emphasize the need for investigating all reports within 24 hours and encourage States and localities to make this a requirement in their policies and procedures; (8) encourage State and local agencies to increase their minimum qualifications for child protective services investigative staff; (9) identify ways protective services units can increase their staffs or otherwise deal with excessive caseloads; (10) emphasize to the States the importance of contributions that multidisciplinary case consultation teams can make in dealing with abuse and neglect cases and the importance of developing and using written treatment plans, central registers for case management, and sufficient legal assistance for protective services staff; (11) better coordinate Federal programs and resources; (12) identify approaches and programs showing promise of success; (13) develop information on the progress of States and localities in addressing abuse and neglect; (14) resolve any problems regarding duplication of programs or problems that otherwise restrict effective coordination; (15) assist the States in obtaining additional treatment services and identifying ways to increase staff and qualifications; and (16) reassess the Center's position on the need to follow up on closed cases. Finally, if HEW finds that the Center does not have the resources it needs, HEW should consider furnishing the Center the necessary staff and resources to carry out its responsibilities.

Agency Comments/Action

The 60-day response from the agency had not been received when this report was prepared.

Appropriations

Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

Because child abuse and neglect is such a serious national problem, the Congress should be concerned about the effectiveness of the National Center on Child Abuse and Neglect in helping States develop programs to combat the problem.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ADMINISTRATION ON DEVELOPMENTAL DISABILITIES

How Federal Developmental Disabilities Programs Are Working

(HRD-80-43, 2-20-80)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Developmentally Disabled Assistance and Bill of Rights Act (P.L. 94-103). P.L. 95-602. P.L. 88-164. P.L. 91-517.

GAO was requested to make a comprehensive examination of the overall administration and operation of four developmental disability programs: (1) State Formula Grant, (2) State Protection and Advocacy, (3) Special Projects, and (4) University-Affiliated Facilities. These programs were designed to improve and coordinate services to the developmentally disabled and to protect their rights. The two million developmentally disabled have disabilities originating before the age of 18 which constitute a substantial handicap to their ability to function normally in society and are expected to continue indefinitely. Mental retardation, cerebral palsy, epilepsy, autism, and severe dyslexia are the conditions generally accepted as constituting a developmental disability.

Findings/Conclusions: All the programs have funded projects and activities to help the developmentally disabled. However, the Department of Health, Education, and Welfare (HEW) has not developed criteria or standards to measure program performance or made any in depth reviews of the programs' overall impact on the conditions of the persons they were meant to serve. The State Formula Grant Program had problems so fundamental and pervasive that major improvements are needed. Designated State agencies for the State Protection and Advocacy Program have legal authority to push for actions and obtain needed services. While it enabled the disabled to go outside established service delivery systems and assure their rights are protected, the program had problems and lacked funds. The Special Projects Program was not unique. Many of its projects were similar to projects funded under the Formula Grant Program. Regional projects were narrow in scope, not designed for widespread application or reapplication, and were providing conventional services instead of developing unique or innovative techniques for service delivery. Program funds were often used to continue projects started under nondevelopmental disability programs. The principal problems with the University-Affiliated Program were that it is funded from numerous sources with no fixed pattern, had vague mission statements, and had varying and incompatible guidelines. All four programs need closer monitoring and more specific direction from HEW if they are to be effective, viable forces in improving conditions of the developmentally disabled.

Recommendations: The Secretary of HEW should direct the Commissioner of the Rehabilitation Services Administration (RSA) to: develop uniform standards to help program administrators, State Councils, and others evaluate program performance; formulate standards to measure the performance of State Councils; encourage States to establish more effective and accountable grant review mechanisms; provide States with more specific guidance for reporting program expenditures; assure that the States develop and use appropriate monitoring and evaluation tools to assess their programs; and increase HEW regional monitoring and evaluation efforts. To improve the State Protection and Advocacy Program the Secretary should direct the Commissioner of RSA to: formulate specific regulations and guidelines; assist States in accessing other funds for their programs; require the States to establish a mechanism for coordinating the advocacy activities of this program with the Formula Grant Program; and establish standards to measure program performance. The Secretary should also improve the Special Projects Program by requiring the Commissioner of RSA to: review all projects currently being funded under this program and discontinue support to those which are not, or do not hold promise of fulfilling legislative objectives; fully inform the Congress on how program funds are spent and what has been accomplished; strengthen grant review procedures; increase program monitoring and evaluation, including site visits to projects; and establish a system to follow up on project accomplishments and dissemination of project results. Further, the Secretary of HEW should assure that the Commissioner of RSA establishes goals, objectives, and performance standards for the University-Affiliated Facilities Program supported with developmental disabilities funds and periodically evaluate supported facilities. Because of the intrinsic and pervasive nature of many of the problems with this program, Congress should clearly delineate what it wants the program to accomplish.

Agency Comments/Action

The Secretary of Health and Human Services advised GAO on June 4, 1980, of actions taken or underway in response to all of the recommendations.

Appropriations

Department of Health and Human Services. Office of Human Development Services

Appropriations Committee Issues

Although the most current legislation, P.L. 95-602, may alleviate some of the controversy and confusion as to whether the State Formula Grant Program should be directed toward planning or services, the Congress should consider further clarifying the legislation in regard to program intent.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CENTER FOR DISEASE CONTROL

Discussion of Selected Issues Affecting Federal Immunization Activities

(HRD-80-52, 6-6-80)

Budget Function: Health: Prevention and Control of Health Problems (0553)
Legislative Authority: Poliomyelitis Vaccination Assistance Act of 1955 (P.L. 84-377). Public Health Service Act (42 U.S.C. 247b). P.L. 95-355. P.L. 95-482. P.L. 96-38. 42 U.S.C. 263.

The Department of Health, Education, and Welfare's (HEW) immunization programs were reviewed. Specifically addressed were the HEW childhood disease and flu immunization programs' effectiveness, liability, adverse vaccine reactions, and vaccine supply.

Findings/Conclusions: The Center for Disease Control (CDC), the Food and Drug Administration's Bureau of Biologics, and the National Institutes of Health's National Institute of Allergy and Infectious Diseases are primarily responsible for the HEW immunization programs. To date, three flu immunization programs have been conducted. These included the swine flu program during the 1976-77 flu season and two smaller programs during the 1978-79 and 1979-80 flu seasons. In reviewing these programs, GAO found that: (1) HEW statistics show that Federal immunization activities have had a significant influence in reducing childhood disease levels; (2) a comprehensive policy that stipulates the circumstances under which the Federal Government will assume liability for public immunization programs does not yet exist; (3) in several instances pertinent data were excluded from vaccine information forms and recommended administrative procedures were not followed; (4) current adverse reaction monitoring systems have limited value in showing the risks associated with vaccination; and (5) current vaccine supplies seem adequate and manufacturers contend that they will continue providing vaccine.

Recommendations: The Secretary of HEW should: (1) direct the Director of CDC to undertake studies to test the reliability of disease reporting and to measure the variability and extent of non-Federal immunization resources; (2) establish policies and procedures to improve future immunization program coordination; (3) direct the Director of CDC to develop methods to help standardize varying State mandatory immunization laws and to help improve their enforcement; (4) request whatever Federal funding is needed to attain and maintain desired immunization goals for all childhood diseases; (5) expedite data gathering to determine the potential costs and other effects of the proposed liability alternatives; (6) establish a systematic procedure to obtain, consider, and act on comments on "Important Information Statement" content from interested experts within and outside HEW and the Federal Government; (7) direct the Director of CDC and the Commissioner of the Food and Drug Administration to measure the reliability of existing vaccine reaction monitoring systems and to determine the feasibility of improving the reliability of existing systems; and (8) place the authority and responsibility for reaction data collection and dissemination with one agency or clearly divide and coordinate the responsibility.

Agency Comments/Action

In general, the agency agreed with the report.

Appropriations

Preventive health - Department of Health and Human Services, Center for Disease Control

Appropriations Committee Issues

Prior to appropriating funds for immunization activities, the Committees need to assure themselves that (1) the disease incidences supplied by HHS are accurate and reliable indicators of need for Federal immunization financial support; and (2) Federal funding for inoculation programs may also create Federal liability for adverse reactions from vaccines. In addition, the Committees should be aware that opportunity exists for placing authority and responsibility for reaction data collection dissemination with one agency.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

Answers to Questions on Selected FDA Bureau of Biologics' Regulation Activities

(HRD-80-55, 6-6-80)

Budget Function: Health: Education and Training of Health Care Work Force (0558)
Legislative Authority: Advisory Committee Act (Federal) (P.L. 92-463). Food, Drug, and Cosmetic Act (21 U.S.C. 301 et seq.). Public Health Service Act (42 U.S.C. 262). 21 C.F.R. 10.95(d). 21 C.F.R. 201. 21 C.F.R. 202. 21 C.F.R. 310.4. 21 C.F.R. 314.111(a)(5)(ii). 21 C.F.R. 600.3(p). 21 C.F.R. 600.3(r). 21 C.F.R. 601.25(d)(2). 21 C.F.R. 601.25(h). 21 C.F.R. 610.13. 45 C.F.R. 73.735-1203. 45 C.F.R. 73a.735-1004. P.L. 87-781. FDA 3118.2(6). 21 U.S.C. 352. 21 U.S.C. 355

The efforts of the Food and Drug Administration's Bureau of Biologics to regulate vaccines and allergenic products were examined. Issues raised by the requestors related to (1) the safety and effectiveness of allergenic products; (2) the adequacy of biological test methods to ensure safety, purity, and potency; (3) the Bureau's program to test for metal contaminants in biologicals; (4) the Bureau's responsibility for reviewing and approving product labeling; (5) selected conflict-of-interest matters, and (6) the Bureau's intramural research activities as they relate to regulatory responsibilities.

Findings/Conclusions: The review was made in accordance with the provisions of the Public Health Service Act and the Federal Food, Drug, and Cosmetic Act. Results of the review showed that the Bureau was limited by: (1) a relatively weak science base for understanding these products; (2) problems in conducting adequate and well-controlled clinical investigations on these products; and (3) the large number of products on the market. Manufacturers and the Bureau may have difficulty developing reliable product-specific potency standards for allergenic products. However, such standards are needed to better assure the preparation and distribution of quality products and to provide a means of comparing the potency of different allergenic product lots. An advisory panel that reviewed allergenic products licensed before July 1972 found that there is insufficient scientific evidence to support the effectiveness of most of these products. FDA has not promulgated regulations defining the types of scientific evidence needed to establish the effectiveness of biological products. While the FDA Commissioner stated that it is essential that physicians and patients be aware of the lack of scientific information to support the effectiveness of biological products, FDA did not plan to inform physicians and patients of the allergenic panel's findings in the near future. Moreover, the Bureau does not maintain summary records that permit the ready retrieval of information identifying the number and types of allergenic products produced by each manufacturer. While test results, using biological test methods, sometimes vary considerably, the Bureau takes test result variability into consideration when establishing standards and guidelines against which these results are measured. The Bureau could better ensure that biological product lots it receives from manufacturers are safe, pure, and potent if it used statistical sampling techniques in addition to its existing criteria for selecting lots for testing. Biological products normally contain metals and other extraneous materials. Based on tests of a few biological products for a wide range of metals the Bureau plans to monitor certain types of biological products more closely for metal content. The Bureau did not periodically review approved biological product labeling to ensure that such labeling was accurate, complete, and up-to-date. While Bureau consultants generally had financial and employment interests that offered a potential conflict of interest with their Bureau duties, these consultants were prohibited from participating in activities related to their financial interest or employment unless FDA granted them an exception. The Bureau's research program supports its regulatory activities. Deemphasizing research in the Bureau could be considered counterproductive to the current FDA effort to improve its science environment. The Bureau, however, did not prepare a comprehensive, formal research plan that specifically links its research with its regulatory activities. In addition, external peer groups had not made systematic, periodic reviews of the Bureau's research efforts.

Recommendations: The Secretary of Health and Human Services should direct the Commissioner of FDA to: (1) inform physicians who prescribe allergenic products about those products that have not been proven effective on the basis of scientific evidence; (2) require some form of patient package labeling or dissemination of information to patients on the lack of effectiveness data for allergenic products while waiting for the final regulations on these products to be published; (3) promulgate regulations to require that manufacturers submit better evidence to insure that the potency of their products will be the same or similar to the potency of the products identified in the license applications; (4) promulgate regulations defining the types of evidence that manufacturers of biological products have to submit to FDA to establish their products' effectiveness; (5) establish a system that would provide, in summary form, information on the number and types of licensed allergenics produced by each manufacturer; (6) use statistical sampling procedures, in addition to the existing criteria, for determining which product lots to test; (7) require a periodic review of all approved biological product labeling to ensure that it is accurate, complete, and current; (8) modify the Bureau of Biologics' annual research report, so that it could serve as a formal plan for the Bureau of Biologics' research efforts; and (9) ensure that the newly established Vaccines and Related Biological Products Advisory Committee periodically reviews all of the Bureau of Biologics' research activities. and assesses the relative priority of proposed research activities. Congress should amend the Public Health Service Act and the Food, Drug, and Cosmetic Act to specifically require that biological products meet effectiveness standards promulgated in regulations to be prepared by the Secretary of the Department of Health, Education, and Welfare.

Agency Comments/Action

HHS agreed that the report reflects the current state of regulation of biological products. However, it disagreed with proposals to (1) amend the potency provision in the Public Health Service Act, and (2) require that biological products meet the effectiveness standard contained in the Federal Food, Drug, and Cosmetic Act. The Department of Health and Human Services (HHS) indicated that it would consider providing patients and physicians with information on allergenic products that lack evidence of effectiveness after FDA established a patient information policy and after the allergenics panel finalized its report. HHS agreed to consider plans to (1) establish a system to provide, in summary form, information on the number and types of licensed allergenics produced by each manufacturer, (2) use statistical sampling, where appropriate, to select biological product lots for testing, and (3) periodically review biological product labeling. HHS agreed to prepare a formal research plan and to use advisory committees to review its scientific program.

Appropriations

Salaries and expenses - Department of Health and Human Services, Food and Drug Administration

Appropriations Committee Issues

The Committees should consider the report's recommendations to Congress.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

Need for More Effective Regulation of Direct Additives to Food

(HRD-80-90, 8-14-80)

Budget Function: Health: Consumer and occupational health and safety (0554)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). Meat Inspection Act (21 U.S.C. 601 et seq.). Poultry Products Inspection Act (21 U.S.C. 451 et seq.). Saccharin Study and Labeling Act (P.L. 95-203). Food Additives Amendment of 1958 (21 U.S.C. 321(s); 21 U.S.C. 342(a)(2)(c); 21 U.S.C. 348). 21 C.F.R. 170.6. 21 C.F.R. 170.35.

The Food, Drug and Cosmetic Act requires that the safety of direct food additives be based on scientific evidence and that the evidence be reviewed and approved by the Food and Drug Administration (FDA). However, the Act exempts from review and approval substances generally recognized as safe by experts or approved for use before 1958, and allows the safety determination for some of those substances to be based on experience drawn from common use in food. The safety of several of these exempted substances has been questioned. A review was undertaken to determine whether current legislative authority and FDA regulatory practices adequately protect the public against hazards from substances directly added to food. GAO examined provisions of the Act which exempts about 1,450 substances from food additive regulation by FDA; reviewed several exempted substances, the assumed safety of which was later questioned, and the removal from use of which has been proposed or completed; and evaluated the potential impact these exemptions could have on the level of evidence supporting the safety of these substances.

Findings/Conclusions: The FDA administrative regulations do not clearly define the scientific evidence needed to support the safety of a food additive or explain how it conducts safety assessments. The regulations do not distinguish among the different kinds of evidence which support each substance's safety affirmation. Experience from common use in food has questionable value in assuring that an additive is safe, because individuals are exposed to numerous substances, including environmental contaminants, over a long period. Adverse effects from exposure to harmful substances may not occur for many years. Since FDA is not required to review and approve substances generally recognized as safe (GRAS), there is no assurance that consistent criteria are applied in determining the safety of all such substances. Of the 39 petitions received in 1979 for GRAS designations of substances used after 1958, review of 18 has been completed. Four of the 18 contained sufficient scientific evidence to support a GRAS affirmation. During 1978, FDA received 14 petitions requesting that food additives be approved. As of October 1979, regulations had not been approved or published for any of these substances. In seven petitions reviewed, FDA had determined that the scientific evidence supporting the substance's safety was inadequate and had requested addition evidence. In five cases, data not specifically identified in the regulations were requested. Developmental efforts are currently underway to publish definitive scientific testing guidelines and review criteria for determining the safety of food additives.

Recommendations: The Secretary of Health and Human Services should direct the FDA Commissioner to publish regulations establishing review criteria for assessing the safety of food additives and to issue guidance defining the methods and controls to be used in conducting scientific safety tests. Further, the FDA Commissioner should be directed to revise regulations which list substances that FDA has affirmed as GRAS to indicate the kinds of evidence that support their safety. Congress should amend the Federal Food, Drug and Cosmetic Act to eliminate exemptions for GRAS and prior sanction substances. Changes to the law should provide enough flexibility to encourage the use of information already available and to recognize that different types of scientific evidence may be appropriate to support the safety of food additives. The amendment should also provide a date on which the safety of all GRAS and prior sanction substances must be subject to Federal review and approval.

Agency Comments/Action

The Department of Health and Human Services agreed that the regulation of GRAS and prior sanction substances is an important issue and said it is investigating ways to deal with this complex subject. The Department did not believe, however, that it would be in the public interest to include a mandated timeframe for implementing congressionally enacted revisions. The Department said it has drafted protocols and criteria for evaluating tests of additive safety which will be published in scientific literature and the "Federal Register." The Department did not agree, however, that regulations which list substances FDA has affirmed as GRAS should recognize different levels of evidence that support their safety because of the volume of information they believed would be required. The Department of Agriculture agreed with the GAO recommendations; however, it emphasized the need for gradual implementation of legislative changes to avoid disruptions within the food industry and to permit orderly scientific assessment.

Appropriations

Prevention and control of health problems - Department of Health and Human Services, Food and Drug Administration

Appropriations Committee Issues

Increasing the FDA regulatory responsibilities concerning food additives may appear contrary to the current trend of reducing, wherever possible, government regulation and control over the marketplace. Further, the additional testing, review, and regulatory requirements which would be placed on industry and FDA by the change in law GAO recommends, will inevitably add costs. The Committee must consider the level of funding which is appropriate in this area.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Attainable Benefits of the Medicaid Management Information System Are Not Being Realized

(HRD-78-151, 9-26-78)

Budget Function: Health: General Health Financing Assistance (0555)
Legislative Authority: Medicare and Medicaid Anti-Fraud and Abuse Act (P.L. 95-142). Social Security Act P.L. 92-603. 42 C.F.R. 450. S. 1470 (95th Cong.). H.R. 7079 (95th Cong.). H. Rept. 92-231.

Medicaid management information systems are integrated computer processing operations used by the States to process and pay bills for health care services provided to Medicaid recipients, store and retrieve service and payment data for use in monitoring and analyzing program activity, and generate management reports. A review of the Medicaid management information systems in three States, Ohio, Michigan, and Washington, indicated that the States have not realized the full potential of their systems.

Findings/Conclusions: Although approved by the Department of Health, Education, and Welfare (HEW), the systems do not meet requirements of the law, implementing regulations, or HEW administrative requirements. Some systems are underdeveloped and/or underused, and, as a result, neither the Federal Government nor the States are realizing all benefits expected. HEW lacks information on the cost of the systems and cannot effectively monitor or control administrative expenditures because of limitation in cost-reporting requirements. HEW has not required the States to develop or report the cost of operating the systems in detail. The system's data base is often incompatible with the mechanized payment systems used by Medicare carriers and hinders timely, accurate, and mechanized exchange of payment data.

Recommendations: The Secretary of HEW should: develop written approval procedures for use by HEW personnel in approving State information systems; update the general systems design and the program regulation guide to reflect system experiences to date; assist the States in developing medically acceptable definitions of medical practice which correlate medical diagnosis, procedure, age, and sex so that States can use the computer to check billings; clearly define the kinds of information systems' costs that HEW will reimburse at the 75 percent sharing level; and develop and implement a functional cost-reporting system for Medicaid claims processing. Congress should consider amending title XIX of the Social Security Act to require HEW to establish systems performance standards and to require that HEW periodically reevaluate approved systems to determine if they continue to meet Federal requirements.

Agency Comments/Action

On October 15, 1979, HEW provided its statement of actions taken or planned to respond to the GAO recommendations. HEW said it was in the process of implementing them. On October 25, 1979, the Senate approved an amendment to title XIX of the Social Security Act (unprinted Amendment No. 665) which would amend the Act as recommended. This amendment also would require that several of the recommendations to the Secretary of HEW be implemented. This provision was dropped in conference. On July 24, 1980, the Senate approved a similar amendment (Amendment No. 1414).

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

A Medicaid Management Information System (MMIS) is supposed to provide a State with the information necessary to control Medicaid costs and detect fraud and abuse. What is HHS doing to improve the effectiveness of MMIS? How has HHS improved its process to ensure that the requirements of law and regulation are being met before increased Federal sharing in State information system costs is authorized? What has HHS done to enable States to properly claim increased sharing in appropriate MMIS costs without over- or underclaiming?

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Comparison of Physician Charges and Allowances Under Private Health Insurance Plans and Medicare

(HRD-79-111, 9-6-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Social Security Amendments of 1965 (42 U.S.C. 1395). B-164031(4) (1978).

A comparison was made of the actual and allowed charges for physicians at four commercial and two Blue Shield Medicare carriers for their private and Medicare businesses. An assessment was also made of the Department of Health, Education, and Welfare's (HEW) use of a Medicare provision requiring that charges allowed as reasonable under Medicare not be higher than those allowed under Medicare carriers' private business for comparable services and circumstances. This provision was meant to limit program costs.

Findings/Conclusions: Physicians charged their private health insurance plan patients less than they charged their Medicare patients in only 9 percent of the cases sampled. In only 7 percent of the cases were the allowed charges under the private plans lower than those allowed under Medicare. Private plan allowed charges usually exceeded Medicare allowed charges by more than 10 percent. In addition, GAO found that HEW was not using the Medicare provision requiring that charges allowed as reasonable under Medicare should not be higher than those allowed under Medicare carriers' private business for comparable services under comparable circumstances. Neither the law nor HEW regulations defined what constituted comparability. Regional offices have received little guidance on this matter.

Recommendations: The Committee on Ways and Means, Subcommittee on Health, should consider either deleting the comparability language in the law, or defining comparability so that it applies to all private health insurance plans which reimburse on a current reasonable charge basis. GAO believes that the most desirable action would be to delete the comparability language from the law. This would have little, if any, financial effect on the program, and it would remove inconsistencies in program administration and alleviate an ineffective program requirement and the administrative costs associated with it.

Appropriations

Medicare - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

The comparability language in the law has not resulted in limiting program costs, as was intended. GAO believes that the comparability language should be deleted.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Home Health Care Services--Tighter Fiscal Controls Needed
(HRD-79-17, 5-15-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Health Insurance for the Aged. Social Security Amendments of 1972.

As of June 1978, there were 2,612 agencies certified by Medicare to provide home health care. A detailed audit was conducted at 11 home health agencies to verify that the costs claimed for Medicare were in fact incurred, allowable, reasonable, and properly reported. This review focused on proprietary and private nonprofit agencies.

Findings/Conclusions: GAO found wide variances and inadequacies in Medicare's reimbursement procedures for home health care. The management and clerical costs for two home health agencies in Louisiana that were comparable in size were $291,400 and $129,000. A comparison of two agencies in Florida showed wide variances in personnel salaries. The number of nonprofit home health agencies has grown significantly in recent years. One reason for this growth is due to the efforts of some for-profit organizations which assist in the establishment of such agencies and subsequently do business with them. GAO believes that there is program abuse because of the following examples: (1) the newly created agencies obtain services from the for-profit organizations without the benefit of competition; (2) the contracts of two for-profit organizations were for an excessive period of time (35 years and 29 years); (3) some for-profit organizations used facilities of the nonprofit agencies to conduct their business at the expense of the Medicare program; (4) some services under the contracts may be unnecessary for providing home health services; and (5) frequent examples of self-dealing were noted between the for-profit organizations and the home health agencies.

Recommendations: The Secretary of the Department of Health, Education, and Welfare (HEW) should direct the Administrator of the Health Care Financing Administration (HCFA) to develop the cost limits under Section 223 of the Social Security Amendments of 1972 for individual home health care cost elements where this is appropriate. The Secretary of HEW should also direct the Administrator of HCFA: (1) to emphasize to providers that costs claimed under Medicare must be documented; (2) require intermediaries to test the adherence of providers to the documentation requirements; (3) clarify and strengthen program instructions for the specific types of promotional activities that are allowable; (4) require providers to document the scope and nature of the duties of agency employees often designated as discharge planners or hospital coordinators; (5) emphasize to home health providers that prior approval is required for those fringe benefits not otherwise specifically authorized; and (6) require that home health agencies provide specific reporting on the salaries and fringe benefits furnished to individual employees. Finally, the Secretary of HEW should direct the Administrator of HCFA to require prior intermediary approval of home health agency contracts whose costs exceed a specified amount or whose term exceeds a specified period of time.

Agency Comments/Action

HHS has established overall cost limits for home care, but limits have not been established for individual elements of home health care costs. To properly develop specific cost limits, uniform cost reporting is needed and in this regard the Medicare and Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142) required HHS to develop uniform cost reporting by October 25, 1979. According to HCFA officials, the uniform cost report will not be ready until December 1981, 2 years late. HHS has not indicated concurrence in the recommendations that intermediaries be required to: (1) test the adherence of providers to the documentation requirements, and (2) approve home health agency contracts whose costs exceed a specified amount or whose terms exceed a specified period of time.

Appropriations

Health care services - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

The GAO recommendations, particularly the ones concerning limits for individual elements of home health service costs and the requirement for intermediaries to approve certain home health agency contracts, have the potential to serve as effective aids in controlling home health costs and program abuse.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Home Health: The Need for a National Policy to Better Provide for the Elderly

(HRD-78-19, 12-30-77)

Budget Function: Health: General Health Financing Assistance (0555)
Legislative Authority: Social Security Act (42 U.S.C. 1397). Older Americans Act of 1965 (42 U.S.C. 3021); 42 U.S.C. 3031; 42 U.S.C. 3045). Special Health Revenue Sharing Act of 1975 (P.L. 94-63). H.R. 8423 (95th Cong.). H. Rept. 95-549. H.R. 12255 (95th Cong.) H. Rept. 95-1150 S. 3544 (95th Cong.) H.R. 13097 (95th Cong.)

The Department of Health, Education, and Welfare (HEW) administers the principal Federal programs which provide home health care. The main home health care programs that are medically oriented are Medicare and Medicaid. Proposed changes to the Medicare and Medicaid programs include eliminating the requirement that beneficiaries be confined to their homes and be in need of skilled care, limitations on the number of home visits, and the addition of homemaker services in fiscal year 1978. Except for the removal of the skilled care requirement, the costs associated with these changes would not be prohibitive and could provide disincentives to institutionalization.

Findings/Conclusions: Most of the problems noted in a 1974 GAO report have been alleviated by the implementation of various provisions of the 1972 Amendments to the Social Security Act, and by better provider understanding, gained through experience, of Medicare's home health care requirements. Many physicians are still unaware of the types of services being provided by home health agencies, and States still have different requirements concerning the number of visits allowed under Medicaid. Until older people become greatly or extremely impaired, the cost for home services, including the large portion provided by families and friends, is less than the cost of putting these people in institutions. About 17 percent of those 65 years or over fall within the greatly or extremely impaired category, about one-third of whom are in institutions. At the "greatly impaired" level, where the breakeven point in cost is reached, families and friends are providing about $287 per month in services for every $120 being spent by agencies. At all levels of impairment, the value of services provided by families and friends is significantly higher than public agency costs. The Older Americans Act, as amended, made the Administration on Aging (AOA) responsible within the Federal Government for handling problems of the aged and aging. Interagency/intraagency agreements effected among Federal, State, and local agencies have not provided effective coordinated home health services to beneficiaries. Services provided are not accessible through a single entry point. HEW officials believe that under then existing legislation, home health services defied coordination.

Recommendations: Congress should consider focusing jobs created for assisting the sick and elderly on those older people who live alone and are without family support. The Secretary of HEW should: have the carriers and intermediaries publicize the use of home health care and provide information concerning the availability of home health services to physicians and institutional providers, identify State Medicaid programs which do not provide equal treatment to eligible individuals and take steps to correct such inequities, and develop a national policy to be considered by the Congress which would consolidate home health activities. HEW should promote the establishment of a comprehensive single entry system by which individuals are assessed prior to placement in a program.

Agency Comments/Action

In its January 22, 1979, comments on the report, HEW said that home health agencies themselves must work toward achieving professional community acceptance and that it was not appropriate for intermediaries and carriers to undertake such efforts in their behalf. HEW said it had sent questionnaires to all States and identified three States which were not providing equal treatment to eligible individuals. HEW said it was taking action to insure that equal treatment is provided to eligible individuals in those three States. HEW generally concurred with our recommendation regarding the development of a comprehensive national policy which would consolidate home health activities. HEW also recognized that the various programs providing home health services were completely disparate in their scope, populations served, and methods of financing. Section 18 of Public Law 95-142 required the Secretary of HEW to study the delivery of home health services under the Social Security Act, and to report to the Congress on recommendations for improvement. On July 11, 1979, the Senate passed S. Res. 169, rejecting the HEW report as submitted, and on August 2, 1979, the House of Representatives also rejected the HEW report. The report was returned to HEW for revision and resubmission to Congress. The Medicare Amendments of 1978, H.R. 13097, passed by the House but not enacted by the 95th Congress, provided for a number of improvements in Medicare benefits, including liberalization of home health benefits. Also in October 1978 the Senate Finance Committee approved a bill (S. 3544) which would provide Federal funds for States to train and employ welfare recipients as homemakers and home health aids for the elderly and disabled; however, legislative action was not completed on this proposal either. Enacted in the 95th Congress was a bill (H.R. 12255) revising and extending the Older Americans Act which authorized special projects on comprehensive long-term care with emphasis on services designed to support alternatives to institutional living and the assessment of need, the development of a plan of care and the referral of individuals in the delivery of services. The new law also strengthened the Administration on Aging's (AOA) functions in coordinating programs for the elderly including Medicare and Medicaid. On June 28, 1979, the Senate Finance Committee approved a bill (H.R. 934) which would amend the Social Security Act to liberalize home health care benefits and require (1) improvements in the "plan of care" for home health recipients, (2) HEW to establish guidelines for determining reasonable costs of home health services and report to the Congress on costs and utilization of home health care, and (3) HEW to test methodologies for utilization review of home health services and to report thereon to the Congress. On September 20, 1979, the Subcommittee on Health of the House Ways and Means Committee approved a bill (H.R. 3990) to liberalize home health care benefits and require the HEW Secretary to establish additional standards and reimbursement guidelines for home health agencies.

Appropriations

Health care services - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

Better opportunities to provide home health and in-home services to the poor and elderly under the various titles of the Social Security and Older Americans Acts could result if programs are effectively coordinated. AOA, as the focal point within the Federal Government to handle problems of the aged and aging, has not satisfactorily coordinated home health services. Services are available through many different programs but the delivery of the services is not coordinated. Services provided differ, or are called by various names in different programs, which creates confusion among beneficiaries over the best source of assistance for their circumstances. Services available have not been accessible through a single entry point. Legislation enacted in the final days of the 95th Congress was aimed at improving coordination of in-home services for the aged.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Hospitals in the Same Area Often Pay Widely Different Prices for Comparable Supply Items

(HRD-80-35, 1-21-80)

Budget Function: Health: Health Care Services (0551)

A review was made of the procurement practices of 37 hospitals in 6 cities to determine (1) the prices paid for selected routine hospital items, and (2) whether there are significant variations in prices paid for the same or similar hospital items within the same geographical area.

Findings/Conclusions: GAO identified significant differences in prices paid by different hospitals in the same geographic area for the same items. The overall weighted impact of the differences in terms of total annual usage was 10 percent, although in some instances the difference ran as high as 300 percent. No adequate explanation for the variations was apparent; however, the most plausible explanations were (1) that purchasing agents did not share or exchange price information, and (2) that the higher prices for some items were due to other services furnished by vendors. Although the Department of Health, Education, and Welfare (HEW) and its Medicare intermediaries did not believe that scrutiny of the prices paid for hospital supplies would be cost effective, GAO identified 5 items which offered potential aggregate savings of about $150,000, or 4 percent aggregate volume of those items for hospitals in two or more cities. The potential savings on the five items alone could amount to millions of dollars.

Recommendations: The Secretary of HEW should direct the Administrator of the Health Care Financing Administration (HCFA) to instruct Medicare intermediaries to gather and compile price information in various areas on the five items GAO identified that appeared to offer the greatest potential for cost savings and to communicate such information to the hospitals they service. The intermediaries should be instructed to monitor their hospitals' purchases of these items periodically and report back to HCFA so it can (1) assess whether monitoring prices may result in cost savings, and (2) determine whether monitoring should be expanded to include other hospital supply items.

Agency Comments/Action

HHS advised GAO that it was taking a cautious approach to implementing the recommendation by doing a pilot study in three metropolitan areas. HHS said its timetable includes initiating the data exchange system on September 1, 1980, and evaluating it by March 31, 1982. HHS cited the complexity of the hospital supply market structure and the variations in the product-service mix which should be accounted for. GAO believs that HHS has overstated the complexities of the recommendation. In the first place, the recommendation pertained to only five supply items (disposable electrodes, intravenous solution, x-ray film, medical gas, and irrigating solution). In the second place, GAO was proposing that the Medicare intermediaries merely gather, compile, and communicate price information to hospitals on these five items to facilitate more informed procurement decisions. GAO did not propose any complex regulatory scheme as HHS implied.

Appropriations

Health care services - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

During fiscal year 1979, Medicare and Medicaid payments to hospitals on behalf of beneficiaries for inpatient hospital services were about $25 billion of which about $4.3 billion represented supply costs. GAO believes that the prompt adoption of its recommendation with respect to only the five items offers potential savings of millions of dollars.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Management of and Results Obtained From HCFA Demonstrations and Experiments

(HRD-80-96, 7-14-80)

Budget Function: Health: Health Research and Education (0552)
Legislative Authority: Social Security Act (P.L. 95-292). Legislative Reorganization Act of 1970. P.L. 95-210.

A review was made of management and results obtained from demonstrations and experiments (D&E) and related evaluations by the Health Care Financing Administration.
Findings/Conclusions: The results indicated that the D&E activities of the Health Care Financing Administration's Office of Research, Demonstrations, and Statistics have fallen short of expectations and requirements of the cognizant legislative committees of Congress. Reports to Congress have not been submitted by the dates specified by law. The reports did not meet the specifications contained in the law and/or related committee reports. More recent mandated demonstrations have not been undertaken because of shortages of staff or money, and D&E or the related evaluations were sometimes completed before Congress or its committees had readily determined the specific outcomes or impacts of its D&E activities, but made a retrospective review of the projects. The review indicated that these projects had an impact on the development of such legislative initiatives as the administration's hospital cost containment proposals, the development of regulations to implement laws, and a regulation change that would significantly reduce Medicare payments to hospitals. The office has not complied with the requirements or used the authority, in all cases, which it received in this legislation. The processes for carrying out the D&E activities often require long periods of time, which may partly explain the problem of meeting congressional expectations, but the office needs to modify its processes for carrying D&E activities to help improve the utilization of the results.
Recommendations: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to implement the following recommendations aimed at improving the Office of Research, Demonstrations, and Statistics processes, which should in turn help improve the use of D&E results. He should provide for more involvement of policymakers and program officials in the Office of Research, Demonstrations, and Statistics planning process; identify during the planning process the knowledge needed to respond to specific policy issues; adjust the planning and project design processes to adapt to congressionally mandated D&E; obtain and retain raw D&E data when they are likely to prove useful in future research, and verify the data on a sample basis; establish a control and tracking system that identifies the interim D&E results of ongoing projects by subject matter; take a formal position on the results reported from each project; make a systematic ongoing assessment of the utilization and outcomes of D&E activities; establish procedures to account for the time professional staff spend in carrying out their various tasks; and establish performance standards for project officers and managers.

Appropriations

Program management - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

Recent HCFA budgets include about $50 million for extramural research demonstrations and evaluations. Congressional committees have questioned the usefulness of the D&E activities in developing policy alternatives for the Medicare and Medicaid program and in contributing to the congressional deliberations on such alternatives. GAO believes that the adoption of its recommendations should help improve the use of D&E results.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

More Can be Done To Achieve Greater Efficiency in Contracting for Medicare Claims Processing

(HRD-79-76, 6-29-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Medicare-Medicaid Anti-Fraud and Abuse Amendments. Social Security Amendments of 1972 (P.L. 92-603). S. 489 (96th Cong.).

Most Medicare benefits are administered by the Department of Health, Education, and Welfare (HEW) through contracts with private insurance companies called intermediaries, which pay bills for services provided by health care facilities, and other contractors called carriers, which pay claims for services from doctors and suppliers. These contracts have been on a cost reimbursable basis, with neither profit nor loss realized by the contractors. Congress directed GAO to conduct a comprehensive study of the claims processing system under Medicare and determine necessary modifications for more efficient administration.

Findings/Conclusions: There are 46 carriers and 77 intermediaries now administering Medicare; past studies have shown that significant savings would result from merging their workloads and redistributing them among fewer contractors, which would also provide an opportunity to terminate the less efficient among them. While many organizations are both intermediaries and carriers, only rarely does one contractor perform both functions within a single region. Also, because of the similarity of the carrier and intermediary roles, combining their functions under one contractor could improve coordination of program benefits, eliminate duplication, and reduce overhead, chiefly by establishing an integrated claims processing system. HEW has announced that it will propose legislation to replace cost reimbursement contracts with competitive fixed-price contracts, a change which GAO concluded would reduce costs about 20 percent, but whose effects on the quality of service are unknown; a comparable Federal program has shown poor to adequate results. If the proposed contracting change is made, standards should be set and marginal contractors terminated. Incentive contracting is another possibility which HEW should explore. The functions of the Travelers Insurance Company, which processes Medicare claims for railroad retirement beneficiaries, could be shifted to other carriers at an annual savings of about $6.6 million to the Government. The processing for crossover claims, with Medicare and Medicaid jointly liable for beneficiary services, includes costs and delays which could be cut by using integrated processing systems.

Recommendations: The Secretary of HEW should direct the Administrator of the Health Care Financing Administration (HCFA) to evaluate experimental fixed-price contracts as to their advantages and disadvantages, incorporate performance standards in all Medicare contracts, implement a policy of contract termination for unsatisfactory performance, conduct experiments to test the feasibility of merging contractor functions under a single contractor and the effectiveness of an integrated software system, and evaluate the possible implementation of Medicare performance incentives. The Secretary should also reduce immediately the number of contractors in the Medicare program and determine which ones to eliminate by directing the HCFA Administrator to decide on the most efficient caseload and territorial configuration, based on an identification of the most competent contractors and those which can best handle large caseloads. Congress should enact legislation to withdraw authority from RRB for the selection of a nationwide carrier to process part B Medicare claims and should transfer responsibility for claims processing and payment to the area carriers handling those claims for other Medicare beneficiaries. Congress should also amend title XIX of the Social Security Act to require Medicare contractors to process Medicaid liability for crossover claims using integrated data processing systems, unless a State can present the Secretary of HEW with evidence that another system is equally efficient and effective.

Agency Comments/Action

HEW generally agreed with the recommendations and said they were a major step in the right direction for improved Medicare administration. Although it has not officially notified GAO of actions taken on the recommendations, HEW has continued to seek legislative authority to implement competitive fixed-price contracting and to eliminate the provider nomination process. Since the report was issued, HEW has announced the consolidations of certain territories and workloads in Medicare, and is attempting to award an experimental contract for the merging of parts A and B in a section of the country. HEW has also developed performance standards to be used in evaluating all Medicare contractors.

Appropriations

Medicare - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

GAO found many opportunities for the Department of Health and Human Services (HHS) to improve its administration and reduce administrative costs in Medicare claims processing. GAO believes its recommendations to the Secretary of HHS can be implemented under present law. The result should be substantial savings of administrative costs in the Medicare program.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Need To Better Use the Professional Standards Review Organization Post-Payment Monitoring Program

(HRD-80-27, 12-6-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Legislative Reorganization Act of 1970. Social Security Act.

Professional Standards Review Organizations (PSRO) are responsible for reviewing the medical necessity and appropriateness of inpatient admissions to hospitals and length of patient stays. Under the post-payment monitoring program, intermediaries, such as Blue Cross and Aetna Life and Casualty sample and review 20 percent of Medicare claims for hospital services. This program was the subject of a review.

Findings/Conclusions: While the system could be a useful tool to improve the cost effectiveness of the entire PSRO program, it has not met the objectives of: (1) being an educational tool; and (2) helping the Department of Health, Education, and Welfare (HEW) assess the effectiveness of patient reviews performed by individual PSRO's. In some cases, it was found that PSRO's had certified days of care as necessary while the intermediaries questioned the necessity of both admission and length of stay. A recent analysis of the program by HEW established that it was cost effective as a result of reducing Medicare hospital utilization by 1.5 percent. However, another analysis determined that PSRO's must reduce utilization by 2.9 percent in order to be cost effective. A major cause of the system's ineffectiveness is that HEW has not issued guidelines or instructions on what data is appropriate for intermediaries to report and how the reports are to be used to meet program objectives. It was also noted that intermediaries do not always randomly select claims for review.

Recommendations: The Secretary of HEW should direct the Administrator of the Health Care Financing Administration to issue guidelines and instructions outlining how the post-payment monitoring system should work. These instructions should emphasize how the program should be used: to identify the causes of and eliminate, to the extent practicable, unnecessary days of hospitalization and, thus, improve the cost effectiveness of individual PSRO's; to educate PSRO and hospital personnel on new and proper techniques for reviewing the appropriateness of patient care; and by HEW as a potential indicator of the effectiveness of the patient care reviews made by PSRO's. The Secretary should also direct the Administrator to revise the instructions to intermediaries to require the reporting of total days of care sampled and to remind the intermediaries of the importance of existing instructions requiring the use of random sampling methods.

Agency Comments/Action

HHS agreed with the recommendations for improving the existing program, but stated that it was planning to discontinue the post-payment monitoring program at a PSRO after 6 months unless the levels of intermediary disagreement with the PSRO exceeds 3 percent. Because the program represents the closest activity to being a quality control function for PSRO medical determination, GAO questioned the wisdom of discontinuing it until a better system is developed.

Appropriations

Health care services - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

Over the past several years, Appropriations Committee hearings have focused on the cost effectiveness of the PSRO program. As previously stated, the post-payment monitoring system could be a valuable tool to improve the cost effectiveness of individual PSRO's.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Ohio's Medicaid Program: Problems Identified Can Have National Importance

(HRD-78-98A, 10-23-78)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Social Security Act.

A comprehensive review of Ohio's Medicaid program identified two issues that may have national importance: (1) the misleading statistics reported by the Medicaid quality control program which overstate potential savings available from eliminating eligibility determination errors; and (2) the unavailability of skilled nursing services to Medicaid patients which results in unnecessary hospital expenditures.

Findings/Conclusions: Ohio uses a quality control system developed by the Department of Health, Education, and Welfare (HEW) to help insure proper and correct expenditures of public assistance funds by identifying unacceptable performance and ineffective policies and taking corrective action. A review of cases found ineligible by Ohio's quality control review showed that determinations were generally correct, but the procedures HEW requires the States to use do not differentiate between technical and substantive errors. Therefore, true program losses due to ineligibility and potential savings available from eliminating eligibility determination errors are overstated. The availability of skilled nursing facility (SNF) services to Medicaid and Medicare patients in Ohio has been adversely affected because of the State's relatively low limits on SNF reimbursement.

Recommendations: The Administrator of the Health Care Financing Administration should: revise Medicaid quality control study procedures to include, in reporting results of these studies, an estimate of potential savings available from elimination of Medicaid eligibility determination errors; assist Ohio in improving its reimbursement system for skilled nursing services in order to increase their availability; and determine if other States' reimbursement systems for SNFs are resulting in problems like those in Ohio and assist any State with these problems in improving their skilled nursing services program.

Agency Comments/Action

HHS agreed with the recommendations related to increasing the availability of skilled nursing facility (SNF) services to Medicaid and Medicare patients. HHS said it would provide technical assistance to Ohio to improve the State's SNF program. HHS also said it would review other States' SNF programs and assist any States with problems. HHS now includes in its Medicare quality control report a table which takes into account the fact that savings do not necessarily result from correcting certains types of Medicaid eligibility errors.

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

Data on Ohio in this report and subsequent data relating to New York's Medicaid program indicate that many millions of dollars are being expended on inpatient hospital services for Medicaid and Medicare patients who could be adequately served by SNFs. Increasing the availability of SNF services to Medicaid and Medicare patients would result in substantial savings to the programs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Problems in Auditing Medicaid Nursing Home Chains

(HRD-78-158, 1-9-79)

Budget Function: Health: Nursing Homes (0557)
Legislative Authority: Social Security Act. Medicare-Medicaid Antifraud and Abuse Amendments (P.L. 95-142). P.L. 92-603.

A group of two or more nursing homes with common ownership is considered a chain. GAO has reviewed these chains to determine if Medicaid reimbursement for nursing home chain headquarters costs was related to patient care and whether the States effectively audit nursing claims operations.

Findings/Conclusions: GAO found three major problems with nursing home chains. The States were not consistently field auditing reimbursement charges from the chain headquarters. When audits were conducted, the results were not shared with other affected States. Because of the complexity of some chain relationships, it is sometimes difficult to discern if chain affiliations exist. With stricter laws governing the disclosure of ownership information, the problem should be minimized. The Department of Health and Human Services (HHS) has no system by which Medicaid auditors might coordinate audit results. The Medicare system for coordinating audit information has worked in the past and could be adapted to suit the needs of Medicaid auditors.

Recommendations: To solve the records problem, HHS should direct the Health Care Financing administration to provide for the exchange of audit results for nursing homes among all affected Medicaid intermediaries and State agencies. To facilitate this system, one agent should be given the responsibility for auditing each nursing home chain headquarters.

Agency Comments/Actions

In its October 24, 1979, comments, HHS concurred with the GAO recommendations and an HHS representative said that, as a first step, it has undertaken efforts to identify all chain affiliations among nursing homes participating in the Medicare or Medicaid programs. After this effort is completed, an HHS task force will determine the procedures to be adopted to implement the GAO recommendations. However, HHS said there may be some problems in fully implementing the GAO recommendations. HHS regulations require disclosure of providers' Medicare cost reports and an interim HHS regulation applies the principles of the Freedom of Information Act to the disclosure of chains' home office cost reports. Several chain organizations have obtained injunctions barring HHS from releasing cost reports pursuant to its regulations or the Freedom of Information Act. HHS is challenging the injunctions, but the issue may not be resolved in the near future. In March 1980, HHS reported that a policy and procedures statement outlining the steps necessary to implement the recommendations was being issued. In June 1980, the Senate passed a bill (S.2885) which would require that if an entity provides services reimbursable on a cost related basis under titles V (Maternal, Child Health, and Crippled Children's services) or XIX (Medical Program) of the Social Security Act audits of that entity would be coordinated through common audit procedures with audits performed under title XVII (Medicare Program). In September 1979, the Subcommittee on Health, House Comittee on Ways and Means, approved a bill with the same provision (H.R. 4000).

Appropriations

Grants to States for Medicaid

Appropriations Committee Issues

The Medicaid cost reports GAO examined contained costs that should have been disallowed but often were not. In most cases where GAO identified costs that should have been disallowed in chain-affiliated nursing home cost reports, the States had desk-audited the chain headquarters office. GAO believes that implementation of the recommendations will result in substantial savings through (1) avoidance of Medicare and Medicaid participation in excessive and unallowable home office charges to nursing homes, and (2) eliminating overlapping and duplicative audit coverage of some chains' home offices.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Problems Remain in Reviews of Medicaid-Financed Drug Therapy in Nursing Homes

(HRD-80-56, 6-25-80)

Budget Function: Health: Nursing Homes (0557)
Legislative Authority: Social Security Act (P.L. 89-97). 21 C.F.R. 201.57(f)(3). H.R. 4258 (96th Cong.). S. 1045 (96th Cong.). S. 1075 (96th Cong.).

Medicaid pays for about half of all nursing home care in the United States. To help ensure the quality of that care, the Department of Health and Human Services (HHS) has set up a number of procedures, including a monthly review of each patient's drugs to determine if they are still needed, effective, and safe for the patient. Because of the major role drugs play in the treatment of elderly patients in nursing homes and the potential hazards of drug therapy, GAO evaluated the effectiveness of the medication review portion of HHS regulations and procedures. The review was limited to the examination of the records of randomly selected Medicaid nursing home patients, and adopted as a standard criteria based on standards developed by five professional standards review organizations.

Findings/Conclusions: Using the limited criteria available, GAO found that medication reviews could be more effective if reviewers, pharmacists, or registered nurses had ready access to: (1) a single source of authoritative information on drugs commonly used in treating elderly patients; and (2) a clear definition of the scope of those reviews. Additionally, GAO found that: (1) 81 percent of the estimated Medicaid patients residing in nursing homes were not being tested as frequently as recommended; (2) patients took combinations of tranquilizers and sedatives that a professional standards review organization characterized as inappropriate utilization; (3) a group of patients was taking drugs that the labeling clearly stated should not be used for one or more of their medical conditions; (4) some pharmacists were unsure of their qualifications to review medications; (5) pharmacists were inhibited in making drug therapy recommendations; (6) pharmacists performed less comprehensive reviews than suggested in HEW-funded training materials; (7) some registered nurses did not consider all aspects of patient medications; and (8) pharmacists making medication reviews at many of the homes were associated with the retail pharmacies which filled prescriptions for the patients, creating a potential conflict of interest.

Recommendations: The Secretary of HHS should direct the Administrator, Health Care Financing Administration (HCFA), to: (1) gather the monitoring and usage criteria that have been developed by professional standards review organizations and others for drugs commonly taken by nursing home patients and send the criteria that HCFA judges to have merit to every nursing home participating in the Medicare and/or Medicaid programs, revise and expand the criteria as professional standards review organizations and others gain experience in medication reviews and send these revisions to nursing homes, and share the criteria with the Food and Drug Administration for use in its efforts to improve prescription drug labeling; (2) direct the National Professional Standards Review Council to promote continued development of additional drug-monitoring criteria for drugs commonly used in nursing homes, with particular emphasis on drugs and combinations of drugs for which few or no criteria are currently available; (3) incorporate in nursing home regulations a clear definition of the scope of a medication review for both pharmacists and registered nurses; and (4) issue regulations requiring separation of pharmacist medication review and drug vendor functions whenever feasible.

Agency Comments/Action

The HHS response to the recommendations was generally positive; however, the agency did not agree with the proposal to separate the pharmacists' medication review and drug vendor functions whenever feasible. GAO continues to believe that this potential conflict of interest situation should be avoided.

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

Over the past several years, Appropriations Committees hearings have focused on the effectiveness of the Professional Standards Review Organization (PSRO) program. In this report, GAO discussed several PSRO's that had made positive contributions to the quality of care in nursing homes by developing drug monitoring criteria.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Rising Hospital Costs Can Be Restrained by Regulating Payments and Improving Management

(HRD-80-72, 9-19-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Social Security Amendments of 1967 (P.L. 90-248). Health Planning and Resources Development Act (P.L. 93-641). Social Security Amendments of 1972 (P.L. 92-603; 42 U.S.C. 1395). Social Security Act (42 U.S.C. 1396). Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142). P.L. 96-79.

GAO examined the impact on rising hospital costs in nine States having prospective rate-setting programs. Prospective rate-setting programs depart from the traditional cost-based retrospective method of paying for hospital services, and instead, make payments based on rates determined before the services are provided.

Findings/Conclusions: Twenty-six States have adopted various prospective rate-setting programs These programs are designed to help control rising hospital costs by providing for an external authority to regulate the prices that hospitals may charge and/or that third parties must pay for specified services. States with such programs were more successful in controlling the growth rate in expenditures per case. Hospital officials in prospective rate-setting States believe they have been able to contain cost increases primarily as a result of improved hospital budgeting practices. The presence of an outside review authority forces hospital managers to closely review, and be prepared to justify, planned expenditures. Even though prospective rate-setting programs have restrained hospital expenditures and revenue increases, hospitals generally have not yet adopted cost-containing management techniques. Hospitals in States with prospective payment programs do not use cost containment management practices, such as shared services, energy conservation, and individualized testing, to a significantly greater degree than hospitals in States without a program. The Health Care Financing Administration (HCFA) has made numerous grants to State health planning and development agencies to demonstrate the effectiveness of rate-setting as a means of controlling health care cost increases; however, it has limited authority under Medicare to participate in prospective rate-setting programs.

Recommendations: If Congress amends the Social Security Act to expand HCFA authority for Medicare participation in prospective rate-setting programs, the Secretary of the Department of Health and Human Services should increase the number of programs in which HCFA is actively participating by making Medicare payments and permitting Medicaid payments based on program-determined rates. The Secretary should promote and encourage greater use of cost containment management techniques. The Secretary should monitor the impact of prospective rate-setting programs on hospital cost increases and periodically report the results to Congress. Congress should amend the Social Security Act to permit the full participation of the HCFA Medicare program in existing prospective rate-setting programs.

Agency Comments/Action

HCFA said that it would await the results of a major study of prospective rate-setting programs before it would consider expanding its participation in them. The Department of Health and Human Services generally concurred with the other recommendations.

Appropriations

Prospective rate-setting - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

HCFA should, if Congress amends the Social Security Act, participate in as many prospective rate-setting programs as possible. Also, the Department of Health and Human Service should take the lead in promoting the use of cost effective management techniques by hospitals.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Simplifying the Medicare/Medicaid Buy-In Program Would Reduce Improper State Claims of Federal Funds
(HRD-79-96, 10-2-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Social Security Act (42 U.S.C. 1936). Social Security Amendments of 1965. Social Security Amendments of 1967.

A study of the Medicare/Medicaid buy-in program was based on a review of pertinent Federal laws, regulations, policies, and procedures on the Medicare and Medicaid programs, with emphasis on the buy-in aspect; a review of applicable State regulations, policies, and procedures relating to the buy-in program, with emphasis on state procedures for claiming Federal sharing; and discussions with Federal and State officials.

Findings/Conclusions: The Department of Health, Education, and Welfare's (HEW) Health Care Financing Administration (HCFA) is responsible for administering Medicare and Medicaid. The Medicaid buy-in program allows States to enroll Medicaid recipients for partial Medicare coverage and pay for their premiums, permitting participating states to transfer some medical costs from their Federal/State-financed Medicaid program to the Federally financed Medicare program. The Federal Government only shares in premium costs for individuals enrolled in Medicare and receiving actual cash assistance or cash assistance as defined for buy-in purposes. At the time of the study, 5 states had no buy-in program, 21 bought in cash assistance recipients, and 27 bought in cash and noncash assistance recipients. Administrative responsibilities for each group differed accordingly. A review of the claims of 10 states revealed that all except one improperly claimed Federal sharing, and other procedures in that State violated Federal law and regulations. The complexity of Federal buy-in regulations, lack of uniformity in State practices, and poor HEW monitoring of States' buy-in programs were blamed for the system's shortcomings.

Recommendations: The Secretary of HEW should direct the Administrator, HCFA, to enforce the requirements of Federal law and regulations by: (1) monitoring more closely States' administration of the program, periodically validating claims for Federal sharing; (2) collecting moneys due the Federal Government from States identified as having overclaimed and paying States identified as having underclaimed; and (3) providing more assistance to States in carrying out their buy-in programs. Congress should amend the Social Security Act to simplify buy-in program administration and improve the accuracy of States' claims for Federal Medicaid sharing.

Agency Comments/Action

HEW has taken action to recover overclaimed funds from some of the States and has also acted to more closely monitor and provide assistance to States in the buy-in program area. Congress has not acted on the GAO legislative recommendations.

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

HHS has not recovered all of the overclaimed funds from the States identified as overclaiming.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

States Should Intensify Efforts To Promptly Identify and Recover Medicaid Overpayments and Return the Federal Share

(HRD-80-77, 6-10-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: 45 C.F.R. 201.66. 42 C.F.R. 447.296.

GAO reviewed five State systems for recovering Medicaid overpayments to providers and for returning the Federal share of these overpayments to the Department of Health and Human Services (HHS).

Findings/Conclusions: GAO found that at least $222.6 million in substantiated or potential overpayments had been identified but not collected, even though much of this amount has been outstanding for several years. The five States had recovered about $18.7 million in Medicaid funds, of which they either had not returned or promptly returned the Federal share. Moreover, many funds recovered by the States are deposited in interest-bearing accounts, but the States have not consistently shared this interest with the Federal Government. GAO believes that these conditions resulted because the Health Care Financing Administration (HCFA) had not established consistent policies and guidelines for States to use in administering overpayment recovery activities. Also, HCFA did not have a clear policy explaining when and under what circumstances Federal financial participation in outstanding overpayments would be denied. State systems for recovering overpayments and for returning the Federal share of such funds were fragmented, cumbersome, uncoordinated, and slow.

Recommendations: The Secretary of HHS should prescribe standards for States' Medicaid overpayment recovery systems. The standards should cover such areas as defining the responsibilities of organizational units involved in overpayment recovery; performance standards similar to Medicare for the States' overpayment recovery systems, including timely audits, resolution of appeals, recovery actions, and return of the Federal share of recoveries; and accounting controls, including the recording and aging of accounts receivable. Also, HHS should take credit for overpayments on the first quarterly request for Federal Medicaid grant funds submitted after the overpayments are substantiated, unless the States demonstrate that their overpayment recovery systems are effective and in substantial conformance with HHS standards. If a State's system is effective and meets HHS standards, the State should be allowed a reasonable period for resolving disputes and recovering overpayments before returning the Federal share. Finally, HHS should require the States to return to the Federal Government a proportionate share of any interest earned on overpayment recoveries.

Agency Comments/Action

HCFA has taken corrective action to resolve the problems identified during the GAO review. HCFA officials immediately began to follow up on the outstanding overpayments and cash balances identified in the five States GAO revewed, and expanded the effort in other States. Responses received through January 1980 showed that since completion of GAO fieldwork, the States had voluntarily returned, or HCFA representatives had succeeded in obtaining the return of $41.9 million as the Federal share of excess cash being held by 14 States and old overpayments recovered by one State. In addition, HCFA had actions underway for the return of an additional $39.2 million in funds from eight States, which principally represented the Federal share of old unrecovered overpayments.

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

For 1981, the Federal share of State Medicaid payments will amount to about $15 billion. Such Federal payments could be reduced by millions of dollars if States were to timely recover overpayments and return the Federal share. In addition, the Committees should determine whether HCFA has recovered the $39.2 million from the eight States.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Use of Grant Funds by the Sacramento Foundation

(HRD-78-62, 3-6-78)

Budget Function: Health: General Health Financing Assistance (0555)
Legislative Authority: Social Security Amendments of 1972 (P.L. 92-603). P.L. 94-182, Sec. 107.

The Foundation Community Health Plan of the Medical Care Foundation of Sacramento was reviewed to determine: (1) if the Federal Government had recovered Medicaid funds paid to the Foundation as recommended in previous reports; and (2) if the State of California should refund Federal Government grant funds paid to the Foundation as part of a rate-setting demonstration study. As of December 1977, HEW had not attempted to recoup funds from California based on 1975 recommendations on fiscal years 1973 and 1974 Foundation activities. The State failed to justify paying rates to the Foundation exceeding those that would normally have been paid to a prepaid health plan. The law is not specific on how extensively the Foundation had to participate in the rate-setting study. The HEW grant to the State only required the Foundation to provide data to the State. Because the Foundation provided the data, there are no grounds on which to demand repayment from California for its payment of demonstration grant funds to the Foundation.

Findings Conclusions: GAO concluded that HEW should implement the 1975 recommendations by recouping from California payments made to the Foundation during fiscal years 1973, 1974, and 1975 which exceed those which would have normally been paid to a prepaid health plan. An HEW disallowance of excess payments to the Foundation, which was based on a State Auditor's report covering a shorter time period, is in the HEW grant appeals process.

Agency Comments/Action

HEW has recouped some funds, based on a State Auditor's report, for a part of the period covered by the GAO report.

Appropriations

Grants to States for Medicaid - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

The Committees should determine whether HHS has recouped from California the Federal share of excess Medicaid payments to the Foundation Community Health Plan for fiscal years 1973, 1974, and 1975.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Medicare Bureau

Actions Needed To Stop Excess Medicare Payments for Blood and Blood Products
(HRD-78-172, 2-26-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Social Security Act (42 U.S.C. 1395).

An evaluation of the blood replacement practices at community and hospital blood banks was made to determine consistency with Medicare regulations. Medicare insurance for the aged and disabled covers health care services, including blood and blood products. It reimburses hospitals for fees charged by blood banks for blood processing. Many blood banks also charge a nonreplacement fee when blood used by a patient is not replaced or donated on a patient's behalf.

Findings/Conclusions: Billing and replacement practices of blood banks and hospitals have caused substantial Medicare overpayments for blood and blood products. Blood banks have prevented the use of blood replacement credits to reduce blood fees whenever Medicare would pay the fees. Some hospitals charged nonreplacement fees to Medicare and to Medicare patients for blood supplied by community blood banks that charged only for processing. Hospitals often do not submit corrected bills to Medicare when blood banks release blood credits after the hospital has billed Medicare. When improper replacement practices of blood banks cease and blood banks are required to release all needed credits, the hospitals' failure to submit corrected bills will result in excess Medicare payments. Intermediaries responsible for program administration were generally unaware of the billing and replacement practices of blood banks and hospitals, or of the impact those practices have on Medicare payments.

Recommendations: The Administrator of the Health Care Financing Administration should: revise Medicare billing instructions to more clearly require that hospitals and blood banks allow Medicare patients the same opportunities as allowed non-Medicare patients to eliminate blood fees; revise Medicare instructions to provide that nonreplacement fees charged on processing-fee-only blood are not allowable charges to Medicare; improve corrected billing requirements for late blood credits to more accurately and economically account for Medicare blood replacements; require the identification of hospitals and blood banks that have engaged in improper practices and seek recovery; require, as a condition for reimbursement of blood costs, that hospitals enter into formal agreements or understandings with community blood banks that obligate the blood banks to comply with Medicare billing and replacement instructions; require the review of blood billing and replacement practices at hospitals and blood banks as a part of the regular review and audit procedures to assure equal replacement opportunities for Medicare patients; and periodically assure that monitoring efforts applicable to the matters covered in this report are properly performed, that appropriate records are being retained by hospitals that bill Medicare for patient blood use, and that corrective actions are taken as needed.

Agency Comments/Action

In September 1978, the Department of Health, Education, and Welfare (HEW) (now the Department of Health and Human Services) identified specific actions it plans to take in response to each of the recommendations. As of September 1980, such actions were in progress but had not yet been implemented.

Appropriations

Health Care Trust Fund - Department of Health and Human Services, Health Care Financing Administration

Appropriations Committee Issues

Medicare overpayments will continue until such time as corrective action is implemented by HEW. The Congress should assure that timely and aggressive action is being taken by HEW to curtail the improper practices.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH SERVICES ADMINISTRATION

Are Neighborhood Health Centers Providing Services Efficiently to the Most Needy?

(HRD-77-124, 6-20-78)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Public Health Service Act (42 U.S.C. 254c; 42 U.S.C. 300e). Social Security Act (42 U.S.C. 1396). National Health Planning and Resources Development Act of 1974 (P.L. 93-641). National Consumer Health Information and Health Promotion Act of 1976 (P.L. 94-317). Planning and Health Services Amendments of 1966. P.L. 94-63. B-164031 (2) (1974).

Federally funded neighborhood health centers provide a wide range of ambulatory health services to residents (primarily the urban poor) of the areas designated as medically underserved. The Department of Health, Education, and Welfare (HEW) funds 112 neighborhood health centers; such centers received most of the $197 million appropriated in fiscal year 1976 for the HEW community health center program.

Findings/Conclusions: There are five basic situations in need of improvement in the neighborhood health center program: (1) centers are overstaffed for the number of patients treated, and the underuse of physicians, dentists, support personnel, and services costs more than $1 million annually; (2) demand for health services from neighborhood health centers is not likely to increase beyond present levels and could decline; (3) HEW has not made sure that centers are serving residents of medically underserved areas and does not know the number of percentages of users who live in these areas; (4) HEW no longer requires centers to become financially self-sufficient; and (5) although the Public Health Service Act requires the centers to provide preventive health care, most patients use the health centers to cure illness instead of for prevention. HEW needs to develop and more strongly enforce productivity standards for all health center employees.

Recommendations: The Secretary of HEW should: reduce the service capacity at inefficient centers to levels consistent with the demand for services, enforce compliance with existing productivity and staff-size criteria, develop criteria for measuring the productivity of dentists, assure closer evaluation of the reasonableness of costs at each center in relation to the level of service provided, compile and maintain records to identify center registrants who live in medically underserved areas and identify centers whose registrant workload is not primarily from those areas, stop funding centers which service only or primarily people who do not live in medically underserved areas, continue to encourage and assist centers to bill and collect money when it is due them, and have health centers promote participation in preventive health care services.

Agency Comments/Action

HEW concurred with the recommendations which would result in increased efficiency, allow for resource allocation, and result in increased participation in preventive health care services. It believed that collecting demographic data to identify residences of clinic workload would be contrary to efforts to streamline Federal paperwork requirements and direct funds from health care delivery. Also, it did not concur that centers should concentrate on servicing residents of medically underserved areas.

Appropriations

Community health services - Department of Health and Human Services, Health Services Administration

Appropriations Committee Issues

Congress should be concerned about the extent that project overstaffing is increasing program operating costs, and about the extent that program funds are expended to fund clinics that do not serve the medically underserved.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH SERVICES ADMINISTRATION

Better Management and More Resources Needed To Strengthen Federal Efforts To Improve Pregnancy Outcome

(HRD-80-24, 1-21-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Elementary and Secondary Education Act of 1965 (20 U.S.C. 1813). Emergency Health Personnel Act of 1970 (P.L. 91-623). National Health Planning and Resources Development Act of 1974. Public Health Service Act (42 U.S.C. 300). Social Security Amendments of 1967. 42 C.F.R. 447.204. P.L. 93-641. P.L. 94-484. P.L. 95-626.

The Federal Government, along with State and local health agencies, has a number of health care programs directed at preventing or better timing pregnancies and improving the health and well-being of mothers and infants. However, a comprehensive national strategy for using and coordinating funds and staff involved in these numerous and fragmented programs is lacking. Federal funds have been inadequate for extending health care services to all areas and to all of those in need, while some areas have duplicate projects.
Findings/Conclusions: The two major Federal programs targeted at improving pregnancy outcome are the Maternal and Child Health (MCH) program administered by the Department of Health, Education, and Welfare (HEW) and the Special Supplemental Food Program for Women, Infants, and Children administered by the Department of Agriculture. Family planning programs in recent years have helped to prevent unwanted or unplanned pregnancies. However, many women continue to have unwanted, unplanned, or ill-timed pregnancies and significant amounts of welfare costs can be attributed to adolescent pregnancy. The effect of the HEW programs to prevent pregnancies, especially high-risk ones, is questionable because services are not always available, accessible, or effectively used. Although progress has been made, women and infants in some locations still do not have easy access to appropriate labor and delivery services or infant care units, and many areas still do not have regionalized systems of perinatal care. Despite the problems that persist, some Federal agencies and programs, such as MCH, Medicaid, National Health Service Corps (NHSC), Improved Pregnancy Outcome, and Improved Child Health, have helped to provide access to health care for many women and infants.
Recommendations: The Secretary of HEW should direct the Assistant Secretary for Health to: formulate national goals for improving pregnancy outcome; consider the feasibility of formulating goals for alleviating infant morbidity or birth defects and providing infant care; and consider possible Federal actions to help poor persons gain access to in-hospital obstetrical or infant care. The Secretary of HEW should: designate one official to be responsible for planning, coordinating, promoting, and evaluating HEW efforts to improve pregnancy outcome; direct that State MCH agencies be able to comment during the HEW review process; require component agencies to develop a comprehensive plan for each State; develop a strategy for integrating agency resources with public health department and private organization efforts; inform public and private health care organizations and school officials at the local level of resources that can be used to improve pregnancy outcome; define what constitutes satisfactory progress in improving pregnancy outcome and monitor States' performance against this definition; specify how and to what extent States are to give priority to using MCH funds; define the essential elements and develop milestones so that State progress in developing regionalized perinatal health services can be evaluated and monitor progress; consider what incentives would be appropriate to encourage and assist States to hasten efforts to regionalize perinatal care and integrate public and private health care sectors and make recommendations to the Congress; enforce requirements for Community Health Centers to provide prenatal care, perinatal care, family planning, and well baby care and provide assistance that such grantees may need to comply; consider the feasibility of additional MCH funds earmarked specifically for prenatal care until sufficient resources are available; work with professional organizations; require health planning agencies to assess the extent to which physicians refuse to accept Medicaid or other low-income patients; launch a major nationwide information and education campaign; determine whether State Medicaid fee structures comply with HEW regulations requiring that they be designed to enlist the participation of a sufficient number of providers; encourage greater use of nurse-midwife/obstetrician teams; and identify what HEW will consider minimally acceptable prenatal care in Federal assistance programs. Other recommendations are listed in the report. Congress should: consolidate Federal programs funding similar types of activities, or if not feasible, require coordination of activities; provide funding for an education and information campaign; designate one agency official to be responsible for coordinating Federal efforts for improving pregnancy outcome; revitalize the MCH program; direct HEW to identify those Federal programs which affect pregnancy outcome and require through legislation that the administering agencies give State MCH agencies an opportunity to participate in monitoring and evaluation; earmark funds for family life education programs; amend Title X of the Public Health Service Act to give priority to family planning services for low-income women and to designate one organization to provide family planning services in each State and local area; increase Federal training funds for nurse-midwifery; require States to extend Medicaid eligibility

for prenatal and delivery care for low-income women regardless of family status; require State Medicaid programs to cover essential prenatal and delivery services; direct HEW to give higher priority to improving pregnancy outcome in project grant programs; consider making more Federal funding available for prenatal care, preventing adolescent pregnancy, and health education; and clarify section 334 of the Public Health Service Act to include State and local governments among those eligible for cost reimbursement waivers for NHSC personnel.

Agency Comments/Action

The Department of Health and Human Services agreed with the findings and recommendations and had initiated or planned to start action to implement them.

Appropriations

Maternal and child health - Department of Health and Human Services, Health Services Administration
Grants to States: research and training - Department of Health and Human Services, Health Services Administration
National Health Service Corps - Department of Health and Human Services, Health Services Administration
Grants to States: Medicaid - Department of Health and Human Services, Health Services Administration

Appropriations Committee Issues

The Appropriations Committees should consider the following: (1) consolidating Federal programs with similar objectives; (2) an increase in funding under the maternal and child health programs for prenatal care and nurse-midwife training programs; (3) expanding Medicaid coverage to more low-income women for prenatal care and labor and delivery services; and (4) grant cost reimbursement waivers to State and local governments for use of National Health Service Corps personnel to reduce infant mortality on the same basis as other organizations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICE

Congressional Monitoring of Planning for Indian Health Care Facilities Is Still Needed

(HRD-80-28, 4-16-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Indian Health Care Improvement Act (P.L. 94-437). Indian Self-Determination and Education Assistance Act (25 U.S.C. 450). P.L. 93-638. 42 U.S.C. 2001 et seq.

GAO studied the adequacy of the Indian Health Service's hospital planning activities. The Service is responsible for providing comprehensive health care to Indians and Alaska Natives. In May 1977, GAO reported to Congress that the Service's methodology for determining the number of hospital beds needed in the Navajo area would result in too many acute care beds. Because the Service used the same methodology for planning hospitals throughout its system, GAO estimated that similar problems probably existed elsewhere. Thus, the Appropriations Committees recommended, and Congress approved, a moratorium on the use of planning funds until the Service recognized the declining need for acute care beds. However, after the Service made some revisions to its planning procedures, Congress provided limited funding for two projects, the Chinle and the Talequah hospitals, that were being funded when the moratorium was imposed.

Findings/Conclusions: The Service's revised methodology appears to be a reasonable method for determining the need for acute care beds. However, the assumptions used in applying this methodology can result in overestimating or underestimating future demand. GAO believes the Service needs to further address the problems of availability and acceptability of health services in the Navajo area. Additionally, the revisions the Service made in its hospital planning and construction procedures are not completely responsive to the congressional directives. In an effort to limit cost overruns and make the Service's planning procedures more responsive, Congress has limited the number of acute care beds and the amount of gross square footage for the Chinle hospital. However, the Service has plans which call for a hospital and leased annex which, in total, will exceed the square footage limitation of the Chinle hospital, and estimates that construction costs on the Chinle hospital will exceed the original estimate by $6 million.

Recommendations: The Secretary of HEW should: (1) revise assumptions used in the planning methodology for the Service hospital projects; (2) limit construction of additional acute care beds to those for which the Service can demonstrate a need; (3) coordinate with the Bureau of Indian Affairs and consult with appropriate congressional committees before taking any action to relax Indian ancestry eligibility requirements for health services in the Oklahoma area; (4) improve routine and emergency transportation services for patients because the Service's plans for locating a hospital in each Navajo service area will not eliminate patients' transportation problems; (5) establish target dates for completing work on the Service's hospital planning proposals that have been mandated by Congress; (6) require that the Assistant Secretary for Health monitor progress in satisfying congressional directives and direct the Service to use a reliable system for identifying and giving priority to the most urgently needed Indian facilities; (7) direct the Service to develop a master plan for Navajo reservation health facilities, to revise the report on controls to prevent hospital project overruns, to construct the specified number of acute care beds and square footage for Service hospital projects at Chinle, Arizona, and to justify the size of the Tahlequah, Oklahoma, project; (8) assure that proposed Service submissions to Congress are independently reviewed and evaluated; and (9) explain in detail to Congress the circumstances surrounding the Chinle hospital design contract and the reasons for the escalation of construction cost estimates. Congress should continue the funding moratorium until the Indian Health Service fully complies with the congressional directives to improve its hospital construction program.

Agency Comments/Action

Sixty-day comments were not received as of July 29, 1980.

Appropriations

Indian health facilities - Department of Health and Human Services, Health Service Administration, Indian Health Service

Appropriations Committee Issues

The Committees should assure themselves that IHS complies with congressional directives on sizing of hospitals and promptly notifies them of cost overruns and square footage variations from budget submission.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICE

Need To Clarify IHS Responsibilities for Maintaining Indian Water and Sanitation Facilities

(HRD-80-14, 7-28-80)

Budget Function: Health: Prevention and Control of Health Problems (0553)
Legislative Authority: Indian Health Care Improvement Act (P.L. 94-437). 42 U.S.C. 2004a.

Since 1959, the Indian Health Service (IHS) has spent about $490 million to construct or improve Indian water and sanitation facilities, primarily to support Indian housing programs administered by other Federal agencies. Legislation enacted in 1959 authorized IHS to transfer operating and maintenance responsibility of these facilities to Indian tribes or communities. As part of a survey conducted of the IHS water and sanitation facilities construction program, seven Indian reservations and nine Alaska Native communities were visited to observe the water and sanitation systems or system components that were not operating effectively.

Findings/Conclusions: The tribes or communities had agreed to assume operating and maintenance responsibilities before construction of the facilities and had accepted ownership responsibilities after construction. However, many of them were not willing or financially able to fulfill their agreements. IHS assisted the Indians in operating and maintaining the water and sanitation systems it transferred to them until 1976. At that time, the Department of Health and Human Services' Assistant General Counsel for Public Health concluded that IHS lacked the legislative authority to maintain water and sanitation systems transferred to tribes and communities. These circumstances have posed a dilemma, because IHS is responsible for ensuring that adequate health care is provided to Indians and has invested heavily in the construction and improvement of Indian water and sanitation facilities, but it has been told by its General Counsel that it had no authority to maintain the water and sanitation facilities after the Indians accepted ownership responsibilities. The significant IHS capital investment could be lost because of lack of maintenance, and the overall health of the Indians could deteriorate, thereby placing a greater burden on the IHS health care system.

Recommendations: The IHS authorities and responsibilities for maintaining transferred sanitation facilities under the Indian Sanitation Facilities Act should be specifically addressed.

Agency Comments/Action

No action was required by the Department of Health and Human Services.

Appropriations

Indian water and sanitation facilities - Department of Health and Human Services, Health Services Administration, Indian Health Services

Appropriations Committee Issues

The dilemma of funding IHS to construct water and sanitation facilities without clear authority for IHS to maintain such facilities if the tribes and Alaska Natives refuse to do so or are incapable of doing so must be resolved.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICES

Unexpended Fund Balance in the Indian Health Service Water and Sanitation Facility Construction Program
(HRD-80-124, 9-30-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: 31 U.S.C. 200.

GAO examined the Indian Health Service's (IHS) Water and Sanitation Facility Construction (WSFC) Program to determine whether: (1) IHS budgeting procedures can be changed to reduce the amount of appropriated funds needed for facility construction in a given year; (2) IHS allocation and obligation procedures are contributing to the size of the unexpended balance; (3) IHS is receiving more funds than it can effectively use for WSFC; (4) Congress should consider different ways of providing funds to IHS for WSFC; and (5) the use of the memorandum of agreement by IHS as an obligating document is legal.

Findings/Conclusions: The reported unexpended balance was $95 million at the end of fiscal year 1979, but it averaged about $112 million for fiscal years 1977 through 1979. About one-third of the unexpended balance pertained to projects that were not started or for which construction was interrupted because of unforeseen problems that occurred after funds had been obligated. Data in the project files showed various reasons for delays in starting or continuing project construction, which included: (1) problems in obtaining rights-of-way or resolving problems concerning historical preservation of land; (2) problems encountered with contractors; (3) tribal tardiness in providing required data; (4) curtailment pending completion of other projects linked to planned projects; (5) inclement weather; and (6) problems in obtaining an adequate water supply. GAO found that the finance offices had a 3- to 5-month backlog in posting the transactions to the financial records. As a result, the reported unexpended balance was overstated by several million dollars. GAO found that the budgeting, allocating, and obligating procedures did not contribute to the unexpended balance. GAO also found that phased funding negates the flexibility provided by Congress in allowing IHS to use a no-year appropriation for WSFC. GAO believes that full-funding is the most appropriate way of funding multiyear commitments like IHS construction projects. GAO found that the memorandum of agreement contained the required documentary evidence needed to support an obligation by a Federal agency.

Agency Comments/Action

The agency agreed with the report.

Appropriations

Department of Health and Human Services, Indian Health Services

Appropriations Committee Issues

The Committes should consider whether IHS should continue maintaining WSFC program funds.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HEALTH MAINTENANCE ORGANIZATIONS

Health Maintenance Organizations: Federal Financing Is Adequate But HEW Must Continue Improving Program Management

(HRD-79-72, 5-1-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Health Maintenance Organization Act of 1973 (P.L. 93-222).

Health maintenance organizations (HMO's) serve as an alternative to the traditional fee-for-service health care delivery system by providing health care to members based on prepaid rates. The Health Maintenance Organization Act of 1973 authorized a program to help develop new HMO's and expand existing ones by providing financial assistance and requiring certain employers to offer HMO's as an option to employees.

Findings/Conclusions: Questionnaire results and an analysis of the financial posture of 42 HMO's showed that the amount of Federal grant and loan funds available to individual HMO's is adequate. However, to minimize the Government's risk, decision points for assessing the financial viability of HMO's with Federal loans should be established. Also, HEW's administration of grants and loans needs improvement. For example, HEW has not completed issuing formal policies and procedures for administering HMO loan programs or for assessing compliance with the HMO Act; the Loan Branch and Compliance Division, while adequately staffed to handle their fiscal year 1979 workload, may be understaffed in fiscal year 1980 because their workload is expected to increase; and HEW has not established adequate guidance on policies and procedures to assure uniform, consistent administration of the HMO grant program by headquarters and regional office staff.

Recommendations: The Secretary of HEW should: design a strategy which would provide a point at which HEW can assess the ultimate financial viability of an HMO before Federal loan funds are exhausted; assign sufficient staff to complete work on needed loan policies; project the Loan Branch's fiscal year 1980 workload and assure that adequate staff will be available to handle the workload; assure that compliance reports required from HMO's are submitted on time and are accurate; assess the impact of an increasing number of qualified HMO's on the Compliance Division's ability to monitor their compliance adequately and assign additional staff promptly, if warranted; complete a summary of compliance policies and procedures; render a decision on regional office compliance responsibilities; and develop improved grant program guidance for regional offices.

Agency Comments/Action

HEW concurred with the recommendations and has made some progress toward improving the administration of its HMO grant and loan programs.

Appropriations

Health maintenance organizations - Department of Health and Human Services, Office of the Assistant Secretary for Health

Appropriations Committee Issues

Congress should continue to monitor HHS management of the HMO program in light of continued inadequacies in the HHS HMO compliance program and the conflict inherent in the HHS mission to increase the number of Federally qualified HMO's at once, and assure that qualified HMO's are indeed complying with the HMO Act and implementing regulations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

Comparison of the Cost of Various Services Performed by the Federal Government With the Cost of Comparable Services Provided by Private Companies

(FGMSD-79-48, 9-25-79)

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: Social Security Act.

The Department of Health, Education, and Welfare (HEW) made a study to investigate the benefits and costs of critical day-care features for children age 5 and under. The National Day Care Study was reviewed and analyzed by GAO in order to compare the cost of services performed by the Federal Government with the cost of comparable services provided by private companies.

Findings/Conclusions: The National Day Care Study concluded that the current Federal caregiver (teachers and aides) staff-to-child ratios for day-care centers, as spelled out in the Federal Interagency Day Care Requirements, are too stringent and can be relaxed without harming the growth and development of children. GAO agreed that the developmental needs of most children could be met with less staff than mandated by the interagency requirements. Relaxing the staff-to-child ratios would reduce costs without harming the development of the children.

Appropriations

Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

HEW administration can improve the quality of day care services and substantially increase the number of children served within current day care dollars by implementing the recommendation of the National Day Care Study.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF HUMAN DEVELOPMENT SERVICES

Conditions of Older People: National Information System Needed

(HRD-79-95, 9-20-79)

Budget Function: Education, Training, Employment and Social Services: Social Services (0506)
Legislative Authority: Social Security Act. Older Americans Act of 1965.

The older population of this country is increasing both in numbers and in percentages of the total population. This increase in the population of older people will magnify the problems they face. To alleviate many of these problems, Congress has enacted numerous laws to establish programs providing help to the growing numbers of older people. Congress and the executive branch need information to design and plan for the delivery of services to older persons. Currently this information is spread piecemeal throughout Federal, State, local, and private agencies. A national information system is needed to evaluate the combined efforts of current services, and to assess the impact of various laws on the lives of older people.

Findings/Conclusions: To illustrate the information that could be obtained from a national information system, GAO made national estimates for the 21 million noninstitutionalized people 65 years old or older in 1975 based on experiences of older people in Cleveland, Ohio. These estimates, for illustrative purposes only, demonstrate the role that such a national information system could play in major policy decisions. Certain personal conditions, health, security, loneliness, and outlook on life, of older people are measurable and dynamic. The conditions of older people decline over time because of health, security, and loneliness conditions. GAO did not have sufficient data to identify other problems that could affect personal conditions but believe that more data on other problems could be added when establishing a national information system. GAO also demonstrated that certain unmet needs of older persons can be identified by using its data base. The future costs of expanded help to all older people can also be estimated. GAO used its data base to measure the changes in certain conditions and problems of older people, and it related services to these changes. Congress needs alternatives to choose from. A national information system could estimate what percentages of older people receiving various kinds of help are benefiting.

Recommendations: The Secretary of the Department of Health, Education, and Welfare should direct the Office of Human Development Services to establish a comprehensive national information system that determines the personal conditions of, problems of, and help available to older people. Information collected for this system should be available to Congress for analysis. The system should be expanded over time to include information necessary to study why older people do not receive the help they need and how family and friends can be encouraged to provide such help.

Agency Comments/Action

HEW said the research done for this report has made a major contribution to understanding the problems of old people, but HEW preferred not to establish the recommended information system until it had completed studies of its own and considered other alternatives.

Appropriations

Aging programs - Department of Health and Human Services, Office of Human Development Services

Appropriations Committee Issues

Investment of a relatively small amount of money in the recommended information system could provide valuable data for making policy and spending decisions involving billions of dollars in aid to older Americans in future years.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF THE SECRETARY

HEW Must Improve Control Over Billions in Cash Advances

(FGMSD-80-6, 12-28-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Anti-Deficiency Act (31 U.S.C. 665). 2 GAO 16.8c. 7 GAO 6.9. 7 GAO 5.4.

The Department of Health, Education, and Welfare's (HEW) Federal Assistance Financing System was established to improve the Department's cash management. However, it allowed premature cash withdrawals because of poor organizational aspects and serious design deficiencies. HEW has advanced over $38 billion to about 14,000 non-Federal organizations through the system.

Findings/Conclusions: The system used the direct Treasury check method and the letter-of-credit method to meet recipients' immediate cash needs. Despite Treasury Department regulations, the agreements for advances did not always state that recipients should limit cash withdrawals to only immediate needs. Therefore, many recipients withdrew cash far in advance of need. Letters of credit had not been extended to many eligible recipients because the system's staff was insufficient to handle this task. These letters of credit would allow recipients to operate with small or no Federal cash balances, further reducing public debt interest. There was no authority to handle loans and contract advances through the fund. Because of the significance of the Department's loan programs, the authority to make loans and contract advances would give Congress a chance to learn the extent of advances made and to specify operational reports needed for its oversight. The splitting of responsibilities within the system was inefficient. Staffing was inadequate and may have been the underlying cause of many of the problems. Since the Department advanced money without required information on the recipients' planned expenditures, there were no assurances that the advances would be spent in accordance with approved assistance agreements or for authorized purposes. The system design did not provide for the generation of data needed for effective cash management.

Recommendations: The Secretary of Health, Education, and Welfare should recover excess amounts of Federal cash held by recipients and, where possible, act to minimize premature cash withdrawals by (1) developing a control system to monitor recipients' cash balances, and (2) specifying in agreements the conditions under which withdrawals can be made. She should make sure letters of credit are extended to all recipients eligible to use that financing method, and work with the Treasury Department and Office of Management and Budget in getting States to remove legal and administrative impediments causing premature and excessive cash withdrawals and, when appropriate, use single letters of credit to do this. The Secretary should obtain Congressional approval to make loan and contract advances through the grants' accounting system, assign that system all cash management responsibilities, and give it adequate staff to handle its work. She should provide the resources necessary to implement the revised system and assure that its design (1) provides for both detailed accounting records showing recipients' cash balances and a basis for controlling advances by specific appropriation, and (2) uses an approach to charge advances to specific appropriations according to data from recipients. Finally, the Secretary should have internal auditors investigate reports that advances were spent in excess of authorizations, and determine whether the Government should recover any money.

Agency Comments/Action

In responding to the report on April 24, 1980, the Department of Health, Education, and Welfare described a number of positive actions it has completed to implement GAO recommendations. The Department also described system changes to be incorporated into the redesign efforts to replace all of its financial systems, including the one handling cash advances. A current date has not been provided for completing this major effort. Also, the Department's response suggests that the redesigned cash advance system will not contain the necessary accounting records to control advances to all recipients by specific appropriations.

Appropriations

Various appropriations available for loans and grants - Department of Health and Human Services

Appropriations Committee Issues

The weaknesses in the Department's system are serious, since they provide opportunities for misuse of a substantial amount of Federal money. The Department should be required to complete action on all GAO recommendations as quickly as possible. Specific steps must be taken to make sure the redesigned cash management system includes accounting records to properly control advances by appropriations. Otherwise, it would be useless for Congress to continue to give the Department specific appropriations because of the large amounts of them that will be handled through the cash advance system.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

PUBLIC HEALTH SERVICE

National Institutes of Health: Clinical Center, National Cancer Institute, and National Heart, Lung, and Blood Institute

Services for Patients Involved in National Institutes of Health-Supported Research: How Should They Be Classified and Who Should Pay for Them?

(HRD-78-21, 12-22-77)

Budget Function: Health: Health Research and Education (0552)
Legislative Authority: Public Health Service Act, sec. 301(e).

The National Institutes of Health (NIH) incurs costs for the care of patients participating in research that should be paid by patients or insurers. NIH often does not know whether grantees are charging it reasonable rates for patient care services because of inadequate monitoring of financial management aspects of grants involving such services.

Findings/Conclusions: There are no Institute-wide guidelines on what patient care services can be paid with research and contract funds. NIH does not take sufficient action to ensure that grantees submit information required for grant administrators to make sound financial decisions.

Recommendations: The Secretary of Health, Education, and Welfare should take actions to establish an adequate basis for determining which patient care services NIH should pay for and to improve various financial management aspects of grants involving patient care services, including: (1) establishing a uniform Institutes-wide policy on patient care costs, with implementing guidelines on allocation of charges for patient care between the Institutes and the patient or other parties; (2) providing for adequate enforcement of the new guidelines and, until they are implemented, requiring that grantees comply with existing guidelines; (3) more vigorously enforcing the requirement that grantees submit satisfactory rate proposals and reports of operations; (4) requiring that patient care rates be negotiated within a certain time; and (5) establishing criteria for evaluating use of clinical research centers.

Agency Comments/Action

The Department of Health, Education, and Welfare agreed with most of the GAO recommendations, although in some instances, the agreement was qualified. Since this report was issued NIH has published a policy on research patient care costs it supports through grants, contracts, or other agreements; the policy does not apply to patient care costs incurred at the NIH Clinical Center. The policy statement includes implementing guidelines on allocation of charges for patient care between the Institutes and the patient or other parties.

Appropriations

Department of Health and Human Services, National Institutes of Health

Appropriations Committee Issues

The Congress should clarify section 301 (e) of the Public Health Service Act to specifically state whether study patients at the NIH Clinical Center and other Public Health Service institutions, hospitals, and stations can be charged for any services they receive.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Better Management Information Can Be Obtained From the Quality Control System Used in the Aid to Families With Dependent Children Program

(HRD-80-80, 7-18-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act (42 U.S.C. 601). Social Security Amendments of 1977 (P.L. 95-216). Food Stamp Act of 1977. P.L. 96-38.

Over $900 million paid to poor families under the Aid to Families with Dependent Children program was paid in error during 1978. This estimate includes overpayments to eligible families and payments to ineligible families and is based on data reported by the quality control system. The quality control system was established to improve the program's administration by identifying errors and developing corrective actions to eliminate them. The system is also the basis for fiscal sanctions against States for erroneous payments in excess of error tolerance levels. There is a congressional conference directive for sanctions based on quality control error rates. Fiscal sanctions create an adversary relationship between the Federal Government and the States at a time when a cooperative effort is needed to reduce errors. Using the quality control system as the basis for sanctions limits the system's value as a means for improving payment processes. Because a high error rate will result in sanctions, there is an incentive to identify fewer errors. To be most effective, the quality control system should identify as many errors as possible giving management more information to develop corrective action plans. Among the weaknesses noted in the program were: both State and Federal quality control reviews differ from State to State and Federal region to region reviews; some case reviews include extensive verification of eligibility and grant amount factors, while others rely heavily on statements by recipients; the agency has recognized the differences between quality control reviews but has not determined how this affects the identification of incorrect payments; agency regional offices do not follow consistent procedures, and the agency has no assessment system for its regional offices' quality control functions; the quality control program does not provide for reporting incorrect payments of less than $5 or those caused by changes in circumstances that occur during the payment review month or the month before; the system provides for reporting only one error cause per case even if there are several; and quality control data were not being adequately analyzed at either the State or Federal level.

Findings/Conclusions: Efforts to sanction high error in States based on quality control error rates should be discontinued. Instead of sanctioning States, the Federal Government should provide more assistance in error reduction efforts. The Appropriations Committees should play a role in discontinuing this effort. Although the Aid to Families with Dependent Children quality control system has led to improvements in the program, the system itself needs improvement. The agency needs to make sure that all States make adequate efforts to determine the correctness of program payments and that its regions make their reviews of State quality control cases uniformly. The agency's planned changes in its quality control procedures manual, if properly implemented, should help correct these problems so that reviews can be made on a comparable basis. The agency's current monitoring of State and Federal quality control performance also needs improvement. If the quality control system reported and compiled incorrect payments of less than $5, those occurring because of changes during the administrative period, and secondary errors, the managers would have additional useful information for developing corrective actions to reduce incorrect payments. There is insufficient analysis to identify the specific causes of errors. States need time to make the necessary analyses, and the agency needs to place more emphasis on data analysis.

Recommendations: The Secretary should: assess regional quality control procedures to insure adequacy and consistency and establish guidelines for reviews of State quality control cases by the Health and Human Services regional offices, including criteria for making home visits to recipients and third-party verifications; increase regional monitoring and periodic assessments of State quality control operations as well as Health and Human Services monitoring of its regional quality control operations; change the Federal regulations to require reporting of incorrect payments of less than $5 and those occurring because of changes during the administrative period; require the States to report all causes of incorrect payments detected during the quality control review process; encourage the States to perform more detailed analyses of quality control data to identify the causes of errors and provide management with better information for developing corrective actions; and require the Commissioner of the Social Security Administration to perform more analyses and special studies of quality control data to identify appropriate corrective actions for assisting States in their error reduction efforts. The House and Senate Appropriations Committees should retract a congressional conference directive for Federal fiscal sanctions against the States based on the Aid to Families with Dependent Children quality control error rates.

Appropriations

Aid to Families With Dependent Children Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The House and Senate Appropriations Committees should retract a congressional conference directive for Federal fiscal sanctions against the States based on the Aid to Families With Dependent Children Program quality control error rates. There is an incentive to identify fewer errors because of fiscal sanctions. Fiscal sanctions limit the quality control system's value in bringing about improvement in payment processes.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Changes Needed To Prevent Commuters and Transients From Receiving Supplemental Security Income *(HRD-80-15, 1-4-80)*

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act. C.F.R. 416.

A review was made of the adequacy of the Social Security Administration's (SSA) policies, procedures, and practices for determining whether Supplemental Security Income (SSI) recipients remain outside the United States for 30 or more consecutive days and thus are ineligible for the benefits.

Findings/Conclusions: No significant problems were found in the SSA operation for detecting recipients outside the United States for 30 or more consecutive days. However, the concept of "resident in the United States" has not been sufficiently defined. Some SSI recipients receive payments while residing principally outside the United States, particularly along the Mexican border. The Social Security Act does not preclude a recipient from residing principally outside the United States for up to 29 days each month and remaining eligible for SSI benefits. Recipients become ineligible only when they are outside the United States for 30 consecutive days. There is a need to make the residency requirement more restrictive to preclude commuters, transients, and sojourners from receiving benefits.

Recommendations: The SSA should strengthen its policies and procedures to prevent individuals from receiving SSI while residing principally outside the United States. The Secretary of Health, Education, and Welfare should direct the SSA Commissioner to: (1) define and clarify the term "resident in the United States" to preclude SSI payments to commuters, transients, or sojourners; (2) establish a policy to accept Immigration and Naturalization Service (INS) determinations that aliens in commuter status live in Mexico and preclude SSI payments to such aliens until they are determined by INS to reside in the United States; and (3) revise claims manual guidance and make it more specific on types of evidence required by SSA border offices to verify residence, with emphasis being placed on types of evidence that establish principal place of residence.

Agency Comments/Action

The Secretary of HHS agreed with the recommendations and advised us in April 1980 that: (1) regulations will be issued defining the term "residence of the United States" to make sure SSI benefits are payable only to persons who live in the country; (2) field office operating instructions will be changed to recognize INS determinations of residency in the United States and to strengthen the types of evidence needed for determining place of residence.

Appropriations

Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should monitor the progress made by SSA to fully implement the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Erroneous Supplemental Security Income Payments Result From Problems in Processing Changes in Recipients' Circumstances

(HRD-79-4, 2-16-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act (42 U.S.C. 1381). Federal Records Act.

Eligibility for federally administered Supplemental Security Income (SSI) benefits is based on a continuing need for financial assistance. Once eligibility for assistance is established, recipients must report changes in income, resources, or other circumstances that could affect the recipient's benefit payment amount or continued eligibility. If any of this information is not promptly and correctly processed, payment errors will occur. These changes are referred to as posteligibility changes.

Findings/Conclusions: The Social Security Administration (SSA) estimates, based on its quality assurance data, that it erroneously overpaid about $1.7 billion and underpaid about $454 million in SSI benefits from January 1976 through September 1979. Most of the overpayments which occurred were attributed to problems that SSA has experienced in processing reported changes. Most of the local offices' problems result from lost records and a lack of adequate processing procedures, controls, and time frames. Controls needed to ensure that changes are either posted to Supplemental Security Records or rejected and later corrected by the field offices have not been established.

Recommendations: The Commissioner of SSA should improve the processing of changes to recipient payments by: establishing procedures, goals, and a system for controlling, processing, and monitoring posteligibility changes; developing pending files for controlling posteligibility changes that are not monitored through the District Office Workload Report; establishing procedures to insure that posteligibility information received is processed before it is filed; insuring that offices retain and dispose of documents in compliance with the SSA record retention and disposal schedule; requesting the National Archives and Records Service to help develop an effective records management program; and assessing the records management program to determine compliance with the Federal Records Act. The Commissioner should also establish appropriate controls to minimize problems associated with processing posteligibility changes and provide added assurance that prompt, effective action is taken by: initiating controls in the computer system to assure field offices that all posteligibility changes transmitted by them are either posted to the record or rejected; establishing controls over rejects so that the system can notify field offices when information in reject messages has not been corrected; evaluating the alert system to insure its effectiveness; reemphasizing to field offices the need to process rejects and alerts; and monitoring the field offices to insure that rejects and alerts are promptly and effectively processed.

Agency Comments/Action

HEW expressed general agreement with the report and indicated actions planned or underway to implement GAO recommendations.

Appropriations

Supplemental Security Income Program - Department of Health, Education, and Welfare, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of the action taken by SSA in implementing the GAO recommendations to significantly reduce overpayments caused by SSI recipients not reporting changes which affect their benefit payment amount or continued eligibility.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Flaws in Controls Over the Supplemental Security Income Computerized System Cause Millions in Erroneous Payments

(HRD-79-104, 8-9-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

Internal control weaknesses over the Social Security Administration's (SSA) computer system have resulted in over $25 million in erroneous benefit payments to Supplemental Security Income recipients. Administration of the Supplemental Security Income program depends on a highly complex computerized system.

Findings/Conclusions: Currently, over 4 million persons receive Supplemental Security Income benefits that are automatically computed based on the information housed in the computerized system's automated records. Since recipient information can change monthly, it must be closely controlled to make sure that correct benefit payment amounts are made. The SSA designed an automated exception control process to help assure that all Supplemental Security Income claims and post eligibility events are accurately entered and correctly posted to the computerized system's automated data base. However, the process does not always work, and inaccurate beneficiary data can be entered and used to compute benefit payment amounts. Instructions are inconsistent concerning the appropriate actions needed to correct inaccurate beneficiary data, thus causing confusion at field offices. Based on recipient records existing as of September 1978, it is estimated that about $20 million in erroneous payments have occurred in the Supplemental Security Income program because of inadequate controls in the automated data exchange with the Retirement, Survivors, and Disability Insurance computerized system.

Recommendations: The Secretary of the Department of Health, Education, and Welfare should direct the Commissioner of SSA to improve controls over the Supplemental Security Income program's computerized system by: (1) correcting deficient exception controls in the system; (2) improving the documentation of the system's exception control process at the field office level; (3) restricting the system override capability to supervisory personnel with appropriate authority to make these override decisions; (4) removing the data exchange override capability and the default on verification provision from the computerized system; (5) modifying the Retirement, Survivors, and Disability Insurance computer system to provide a complete payment record history; (6) modifying the Supplemental Security Income system to properly post Retirement, Survivor, and Disability Insurance eligibility decisions to all appropriate data segments in the computerized master record; (7) removing system limitations that necessitate the manual calculation and control of forced payment cases; (8) establishing more controls over forced payment cases, assuring that all posteligibility events affecting these cases are processed in a timely manner; and (9) reviewing existing forced payment cases to identify reasons for forced payment, verify accuracy of all payments made, and return cases not required to forced payment status as soon as possible.

Agency Comments/Action

Only the recommendation to modify the Supplemental Security Income system to properly post Retirement, Survivor, and Disability Insurance eligibility decisions to all appropriate data segments in the computerized master record has been fully implemented. The recommendations which required large resource commitments have either been planned for the fiscal year 1981 to fiscal year 1983 timeframe, or are not planned at all. For the immediate future, the potential for erroneous payments still exists.

Appropriations

Supplemental security income - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should assure themselves that the actions recommended in the GAO report have been taken by Social Security to stop the types of erroneous payments that were identified.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Improvements Needed in AFDC's Program for Recovering Overpayments

(HRD-78-117, 5-25-78)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act (42 U.S.C. 601). 45 C.F.R. 223.

The Social Security Administration estimates that over $850 million, about one-half of which was Federal funds, was erroneously paid to recipients of the Aid to Families with Dependent Children (AFDC) program during 1976. The AFDC program is a cooperative Federal-State program which provides aid in the form of cash assistance and social services to needy, dependent children and their caretaker relatives.

Findings/Conclusions: States are not required to establish an AFDC program; but if they do, it must be approved by the Department of Health, Education, and Welfare (HEW). Federal regulations allow States to reduce a recipient's AFDC benefits to recover overpayments caused by willful withholding or misstating of information which could affect eligibility or benefit amount. States are allowed considerable latitude in recovering overpayments caused by recipients willfully withholding information. Some States require recipients to repay overpayments fully while others either waive the amount overpaid, seek voluntary repayment, or attempt recovery only if fraud is involved. States are not required to maintain either complete records of the amounts overpaid or the disposition of those accounts.

Recommendations: The Secretary of HEW should revise HEW regulations to establish uniform and comprehensive overpayment recovery policies in the AFDC program, including requirements for States to: (1) maintain information on the total number and amount of overpayments involved and their disposition; and (2) establish a mechanism for assessing the effectiveness of their overpayment recovery efforts. The Commissioner of the Social Security Administration should assist the States in establishing an appropriate mechanism for monitoring and evaluating the adequacy of recovery efforts.

Appropriations

Public assistance - Department of Health and Human Services, Social Security Administration
Maintenance assistance (State aid) - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

Although HEW issued regulations in March 1979 to encourage States to reduce AFDC overpayments, it has not dealt with the recovery of those already made. In view of the substantial funds which have been and continued to be overpaid to AFDC recipients, as evidenced by recent payment error rate statistics, an appropriate Federal mechanism for effectively controlling and monitoring the resolution of these overpayments is currently needed. The Committees should review the adequacy and timeliness of SSA plans for this area.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Improvements Needed To Insure the Accuracy of Supplemental Security Income Retroactive Payments

(HRD-79-26, 12-11-78)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381). Social Security Act.

During fiscal year (FY) 1977, the Social Security Administration (SSA) issued about 1.8 million retroactive Supplemental Security Income (SSI) payments totaling about $505 million. An estimated 462,195 recipients of these retroactive benefits were overpaid about $75 million, and an estimated 206,825 were underpaid about $6 million. About 37 percent of FY 1977 retroactive checks were in error, twice the error rate for regular monthly checks. Most of the errors occurred because SSA did not obtain accurate information affecting the claimants' eligibility or the amount of their payments, generally because it was unaware of changes in the claimants' circumstances. Since August 1977, SSA has implemented two measures with potential for reducing errors; one is a modification of a priority redetermination procedure and the other involves a special prepayment review of retroactive payments of $5,000 or more. These actions should be expanded to cover a greater number of payments because of the high error rates for retroactive payments of $1,000 or more and the low percentage of overpayments recovered by SSA. The Commissioner of SSA should be directed to evaluate the cost-effectiveness of expanding the special review group effort to include more retroactive payment cases, include analyses of errors attributed to retroactive payments in the ongoing Quality Assurance Office review, establish goals for reducing the errors, and evaluate the cost/effectiveness of expanding the number of priority redeterminations being made before large retroactive checks are issued.

Findings/Conclusions: SSA has not been successful in significantly improving the accuracy of SSI retroactive payments. In fiscal year 1977, SSA made about $75 million in overpayments to retroactive check recipients and failed to pay recipients an estimated $6 million to which they were entitled.

Recommendations: HEW should direct the Commissioner of SSA to evaluate the cost-effectiveness of expanding the special review group effort to include more retroactive payment cases and include analyses of errors attributed to retroactive payments in the ongoing Quality Assurance Office review.

Agency Comments/Action

Beginning in February 1979, all retroactive payments of $3000 or more have been subject to a prepayment review directed by the special review group at the SSA central office. Beginning in July 1979, (1) payments in the $2,000-to-$3,000 range will receive prepayment reviews directed and initiated by the regional offices, and (2) payments in the $1,000-to-$2,000 range will be controlled more tightly. Revised instructions will be issued to the district offices. SSA will explore ways in which analyses of retroactive payment errors can be made part of the Quality Assurance Office reviews. SSA will additionally establish goals for reducing retroactive payment errors. SSA stated they would immediately begin an experiment to test the cost-effectiveness of requiring redeterminations before all payments of $2,000 or more are issued.

Appropriations

Supplemental security income programs - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of the action taken by SSA to insure the accuracy of SSI retroactive payments.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Minimum Social Security Benefit: A Windfall That Should Be Eliminated

(HRD-80-29, 12-10-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act. Social Security Amendments of 1977.

The minimum benefit provision of the Social Security Act, intended to help the poor, has in recent years mainly benefited retired government workers with pensions and homemakers supported by their spouses' incomes. The provision grants a much higher benefit than individuals have earned and would otherwise receive. The need for the minimum benefit was greatly reduced in 1974 with the implementation of the Supplemental Security Income program, which established a Federal minimum income level for needy people who are at least age 65, blind, or disabled. Before the program, the minimum Social Security benefit may have been the only source of income for such people. In the fiscal year 1980 budget, the President proposed eliminating the minimum benefit for new beneficiaries to prevent the windfall effect and to reduce the welfare aspect of Social Security. The Social Security Administration estimated that implementing the proposal in October of 1980 would save the Government $455 million for fiscal years 1981 through 1985.

Findings/Conclusions: A study of beneficiaries who were awarded minimum benefits during 1977 showed that homemakers and government pensioners received additional income from the minimum benefit provision more often than the needy. About 44 percent of sampled beneficiaries received no additional income from the minimum provision because of offsets required in other Federal benefits. More than half the remaining 56 percent had income or support from other sources. Federal records showed that 15 percent received Federal pensions averaging $900 a month; 10 percent depended on working spouses earning an average of at least $13,700 during the first year after the beneficiary began receiving Social Security; and 2 percent relied on retired spouses with Federal pensions averaging $12,500 a year. The extent to which 26 percent of the sample depended on minimum Social Security benefits could not be determined from selected Federal records; however, a detailed analysis in a metropolitan area indicated that many recipients had a primary means of support other than Social Security. The study also showed that, in general, minimum beneficiaries had not been a permanent part of the labor force and could not have depended primarily on their earnings from covered employment. Such people would recover their total contribution of Social Security tax, on the average, six times faster than the people who contributed the most to the trust fund.

Recommendations: The Congress should approve the President's proposal to eliminate the minimum benefit provision for new beneficiaries. To minimize the hardship of the few needy beneficiaries who would not be eligible for Supplemental Security Income, the Congress might consider authorizing a limited Supplemental Security Income payment which would replace the portion of the Social Security benefit lost when the minimum provision is eliminated.

Agency Comments/Action

The Social Security Administration concurred with the recommendations and agreed that Congress should approve the President's proposal.

Appropriations

Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should consider the recommended changes to the Social Security Act.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Need for HEW To Recover Federal Funds in Uncashed AFDC Checks

(HRD-79-68, 4-5-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act (42 U.S.C. 601).

A review was completed of the requirements and practices for refunding or crediting the Federal Government's portion of checks that were issued to Aid to Families with Dependent Children (AFDC) recipients but never cashed. Federal AFDC expenditures in fiscal year 1977 amounted to over $5 billion.

Findings/Conclusions: The return of Federal AFDC funds for checks that were never cashed was generally left to the States' discretion. Although GAO did not determine why the checks were not cashed, information obtained on 11 of the 50 States showed that these States allowed AFDC checks to be negotiated 30 days to 2 years after they were issued, at which time they were canceled. In addition, once States acted to void the checks, there was no mechanism to insure that the Federal Government received credit for its portion of these funds. The President's 1980 budget proposes a change in the procedure for transferring Federal funds to the States for public assistance programs, including AFDC. Presently, States are authorized to draw Federal funds on or before the day they pay their bills. For the AFDC program, this is generally when the States issue checks to recipients. Between the time the checks are issued and cashed by the recipients, many States invest the Federal funds and earn interest. Under the proposal, States would be authorized to draw Federal funds only when a recipient actually cashes the check and it is presented to the State's commercial bank for payment. When adopted and implemented, the procedure would also eliminate the problem of the Federal Government not receiving credit for its share of funds in uncashed AFDC checks.

Recommendations: The Secretary of the Department of Health, Education, and Welfare (HEW) should direct the Commissioner of the Social Security Administration to: establish uniform requirements for States to credit the Federal Government for its portion of uncashed AFDC checks; establish a mechanism for insuring that these credits are timely and accurate; and take action to identify and recover the total amount of Federal funds in uncashed AFDC checks that have not been refunded to the Federal Government.

Agency Comments/Action

In line with the recommendations, HEW has (1) prepared a Federal regulation establishing uniform requirements for States to credit the Federal Government for its portion of uncashed checks, (2) prepared an instruction to the SSA regional offices directing them to pay attention to this issue, and (3) instructed the HEW Audit Agency to include the return of these Federal funds in their work plans for the review of States' activities.

Appropriations

Aid to Families With Dependent Children Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of SSA activities in establishing policy requiring States to remit to the Federal Government the Federal share of uncashed AFDC checks, and SSA efforts in identifying and recovering the total amount of Federal funds in uncashed AFDC checks that have not been refunded to the Federal Government.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Need To Prevent Windfall Benefits to Supplemental Security Income Recipients

(HRD-80-44, 5-30-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Amendments of 1972. Social Security Act. Veterans' Pension Act of 1959. P.L. 95-588. H.R. 4904 (96th Cong.). H.R. 3236 (96th Cong.). 42 U.S.C. 1381.

The Social Security Administration (SSA) is required to determine Social Security Income (SSI) eligibility and benefit payment amounts on a quarterly basis. It computes benefits based on the income a recipient expects to receive over a projected 3-month period. Basic benefits are reduced dollar for dollar for countable income. Windfall benefits occur when other retroactive income covering prior quarters is received in a current quarter and is greater than the current quarter's SSI benefits. The Social Security Act does not provide for the recovery of these windfall payments creating a program of inequity which allows recipients of large retroactive payments to receive more SSI benefits than recipients who receive a similar amount of non-SSI income on a current monthly basis. Legislation has been proposed which would partially solve the problem.
Findings/Conclusions: During fiscal year 1977, SSI recipients received windfall benefits totaling an estimated $43.6 million as a result of receiving retroactive social security retirement, survivors, or disability benefits. Windfall benefits continue as a result of retroactive income from these as well as other sources, including veterans' compensation and pensions, and railroad retirement benefits. The present Social Security Act only permits SSI payments to be reduced for the calendar quarter that other income is actually received. Legislation authorizing other Federal benefit programs does not provide for reducing retroactive benefits paid to individuals receiving SSI to offset windfall benefits. By limiting other income benefits to that which the individual would have been entitled had the other income payments been current, equal treatment could be provided to all SSI recipients. While SSA officials believe many windfall benefits resulting from retroactive social security payments can be handled administratively if the proposed legislation is enacted, some cases will continue to occur when SSI retroactive payments are made after retroactive social security payments. The Department of Health, Education, and Welfare (HEW) should determine the extent of windfall benefits that occur when SSI recipients receive retroactive payments from other Federal benefit-paying programs, and if significant, assess the need for additional legislation to prevent windfall payments from occurring.
Recommendations: If the proposed legislation presently pending before Congress is passed, the Secretary of HEW should direct the Commissioner of SSA to take the necessary administrative action to change processing of concurrently filed claims to reduce the number of windfall benefits paid to SSI recipients receiving retroactive social security payments before retroactive SSI payments, and advise Congress whether additional legislation is needed to eliminate all windfall benefits to (1) SSI recipients who receive retroactive social security benefits before retroactive SSI benefits, and (2) SSI recipients who receive retroactive benefits from other Federal benefit-paying programs, such as Veterans Administration or the Railroad Retirement Board. Favorable consideration should be given to the proposed section 303 of H.R. 4904 allowing the Secretary of HEW to offset excess SSI windfall benefits against retroactive social security benefits.

Agency Comments/Action

On June 9, 1980, the Social Security Disability Amendments of 1980 (P.L. 96-265) was approved. This authorized the offset of excess SSI windfall benefits against retroactive social security benefits, as recommended. Commenting on the report, the Department generally agreed with the findings and recommendations and said that where possible it would sequence payment of retroactive SSI and Social Security checks so as to minimize windfall payments. The Department also agreed to assess the need for additional legislation to eliminate windfall payments resulting from the sequencing process. GAO believes the Department should complete its assessment of the need for additional legislation as soon as possible, and report to the Congress.

Appropriations

Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committee should monitor progress made to implement the GAO recommendations to insure that windfall benefits are eliminated to the extent possible and that remaining windfall benefits are qualified and appropriate congressional action is initiated to minimize them.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Should Emergency Assistance for Needy Families Be Continued? If So, Program Improvements Are Needed

(HRD-78-65, 4-5-78)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act, as amended (P.L. 90-248; 81 Stat. 893; 42 U.S.C. 603(a); 42 U.S.C. 606(e)). 45 C.F.R. 233. Mandley v. Trainor, 545 F.2d 1062 (7th Cir. 1976).

The Emergency Assistance program, administered by the Social Security Administration of the Department of Health and Human Services (HHS) was established to provide financial assistance and social services to meet emergency needs of needy families with children under 21. The legislative history indicates that the Congress intended that the program would assist families without available resources and that the assistance would be necessary to meet an immediate emergency need that would not otherwise be met. Assistance may be in the form of cash or such items as food, clothing, rent, utilities, or medical care provided or paid for by the agency administering the program.

Findings/Conclusions: Operation of the Emergency Assistance program has been hindered because of conflicting interpretations of enabling legislation. The troublesome provisions pertain to recipients' eligibility and the type and extent of emergencies covered. As a result, participating States cannot rely on HHS instructions and interpretations, and because of this, at least four States have discontinued the program. Conflicts between HHS regional offices and the States often drag on for months because of a lack of HHS guidelines, uncertainties caused by litigation over the program, and insufficient HHS regional personnel to administer and monitor the program. Ten years after the program was enacted into law, HHS, the States, and the courts are still contesting the provisions of the law.

Recommendations: The Secretary of HHS should: pursue efforts, through the Congress if necessary, to resolve the definitional and interpretational problems hindering the operation of the program, develop uniform guidelines for administering and monitoring the program, and monitor States' programs to insure compliance once definitive criteria and uniform guidelines are developed. The Congress should consider whether the Emergency Assistance program should continue, and if it determines that the program should continue, it should review the positions of HHS and the courts concerning eligibility and the type and extent of emergencies covered. It should then, if necessary, amend the legislation to clearly indicate congressional intent.

Agency Comments/Action

The U.S. Supreme Court ruled in June 1978 that under existing law and regulations, a State electing to participate in the Emergency Assistance program may define the type and extent of emergencies to be covered and establish eligibility standards for those to whom emergency assistance will be provided. HHS plans to follow this ruling in developing uniform guidelines for administering and monitoring the program. The effect of this decision will be to make virtually unlimited the kinds of situations for which emergency assistance funds can be spent. This decision could also result in significant growth of the amount of Federal funds needed. Inequitable treatment of people in the same economic circumstances could also result, depending upon where they live, because of wide variations between States' emergency assistance programs in the types and extent of emergencies covered and eligibility. In August 1980, HHS informed GAO that it was drafting uniform guidelines for administering and monitoring the Emergency Assistance program.

Appropriations

Public assistance - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

In light of the potential for growth in the need for Federal emergency assistance funds and inequitable treatment of emergency assistance recipients, Congress should review the positions of HHS and the courts, including the U.S. Supreme Court, concerning eligibility and the type and extent of emergencies covered. It should then, if necessary, amend the legislation to indicate clearly congressional intent.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Social Security Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients

(HRD-79-21, 1-16-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381). Social Security Act.

Recovery or waiver by the Social Security Administration (SSA) of overpayments to Supplemental Security Income (SSI) recipients continues to be a problem. Additional improvements are needed if SSA is to achieve uniformity and objectivity in resolving overpayments and reduce an unresolved backlog of over 1.2 million overpayments.

Findings/Conclusions: From January 1974 to September 1978, $27.9 billion was paid in SSI benefits. The SSA identified 3.2 million instances of overpayments totaling about $1.5 billion. Of the $1.5 billion, about $443 million was waived; $295.8 million was collected; $148.8 million of collections were in process; recovery efforts on $147.7 million were suspended; incorrectly computed overpayments for about $5.9 million were adjusted; and the remaining $462.4 million (over 1.2 million cases) had not been resolved. Efficient resolution of overpayments requires that they be quickly and uniformly processed to assure that the debts are promptly collected. Social Security has not acted quickly or uniformly. SSA needs an automated overpayment notice at district offices to assure that an overpaid recipient is notified in a timely manner. A solution to collecting overpayments from former SSI recipients receiving other Federal benefits would be to offset or adjust the other Federal benefits at given rates until the debt is paid; however, Social Security maintains that it has no legal authority to collect from benefits being paid to these recipients under other Federal programs.

Recommendations: GAO believes that SSA should get its SSI overpayment collection process functioning efficiently and uniformly before legislation is enacted authorizing SSA to collect SSI overpayments from funds due to recipients from other Federal benefit-paying programs. The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to adopt a stronger and more active management role in recovering SSI overpayments by: (1) establishing standards for timely processing of SSI overpayments; (2) developing a quality control mechanism designed to identify needed corrective actions and needed changes in policy and procedures, and to develop solutions to inequities; (3) developing improved instructions and additional training in overpayment resolution for claims representatives; and (4) developing an automated notice to inform overpaid recipients when they have been overpaid, the cause of the overpayment, proposed agency action, and the recipient's appeal rights. The Secretary should also direct the Commissioner to develop more useful and less subjective criteria for claims representatives to use in determining whether an overpaid recipient was with or without fault in causing the overpayment.

Agency Comments/Action

The following actions have been taken: standards have been established for timely processing of SSI overpayments; and instructions and training have been developed for claims representatives. No action has been taken, or action has not been completed, on the remaining recommendations.

Appropriations

Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of the efforts undertaken by SSA to improve its collection of overpayments as well as to prevent overpayments.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Social Security Should Obtain and Use State Data to Verify Benefits for All Its Programs

(HRD-80-4, 10-16-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)

The integrity of the four Social Security programs which pay monthly benefits to aged and disabled persons and/or their survivors and dependents depends on recipients voluntarily reporting changes in their income, resources, and other eligibility circumstances. During fiscal year 1978, $257.4 million in payment errors were made because Supplemental Security Income (SSI) recipients provided inaccurate or incomplete information or failed to report changes in their circumstances.

Findings/Conclusions: While many programs at the State and local levels can affect SSA benefit programs, no SSA group has the responsibility for systematically organizing, coordinating, and directing a unified approach to obtain State data for use on all SSA programs. Principal efforts by SSA to verify State data have been in the SSI program, and have consisted of trying to develop an informational exchange between State payment files and the SSI State data exchange record given the States for their use. The SSI program is the only program measuring overpayments and underpayments for failures of reporting. Although SSA has successfully obtained and verified benefit information from other Federal agencies to help minimize incorrect payments, little has been done to obtain information maintained by State and local governments which could be used to further reduce erroneous payments. Obstacles confronting SSA in obtaining State data include no specific legislative requirements for States to provide the data, the large number of agencies within a State, and the degree of automation of State records.

Recommendations: The Secretary of Health, Education and Welfare (HEW) should direct the Commissioner of SSA to develop and implement a comprehensive national effort to obtain and use State and local data, noting (where appropriate) legislative and administrative impediments to obtaining such data. Significant impediments should be brought to the attention of the Congress and/or HEW for resolution. In addition, SSA should be directed to immediately request California and New York assistance in obtaining unemployment compensation benefits, and should use these records as well as current Pennsylvania and Kentucky workmen's compensation data to verify the SSI and disability insurance records.

Agency Comments/Action

The Department agreed with the thrust of the GAO recommendation and said it is initiating actions and plans to improve verification of benefits and eligibility for all of its programs through matching processes; internally between various data files within the Department, with other Federal agencies, and with the States. The Department also said progress has been achieved in obtaining and using data from New York, Kentucky, and Pennsylvania, but that California had been reluctant to provide unemployment compensation data due to issues of compliance with its Information Practices Act.

Appropriations

Aid to families with dependent children - Department of Health and Human Services, Social Security Administration
Supplemental Security Income Program - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

The Committees should be concerned with the adequacy of the SSA request for funds to develop and integrate its automated computer payment records with information maintained by State and local governments. SSA should explain the full impact this data has on its program and the progress made and planned to implement the GAO recommendations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Delays in Implementing the Department of Housing and Urban Development's Accounting System for its Mortgage Insurance Program

(FGMSD-80-37, 3-9-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Government Corporation Control Act.

GAO reviewed the Department of Housing and Urban Development's Mortgage Insurance Accounting System (HUDMIAS), which is currently under development to support the Department's multibillion dollar mortgage insurance program. The new accounting system is essential to improve the mortgage insurance activities of the Department of Housing and Urban Development (HUD). The primary users of the new system's data will be the Assistant Secretary for Administration and the Assistant Secretary for Housing. The data will be used to fulfill accounting requirements, to provide more effective techniques and procedures to accomplish fiscal servicing, and to perform mortgage insurance functions promptly. The system's development has cost the Government in excess of $23 million over the $4.6 million originally estimated and more than 4 years delay in implementation.

Findings/Conclusions: The system's development has been plagued with problems that could have been minimized through more effective management controls, such as more frequent formal evaluations of and reports on the system's development progress and costs. Although greater emphasis is being placed on needed improvements in the system's development, action should be taken to enhance the chances of implementation of HUDMIAS within the current milestones, as implementation within the current schedule may still provide opportunities for an increased benefit/cost ratio.

Recommendations: The Secretary of HUD should: (1) require adequate studies of future design tasks to fully establish their magnitude and complexity, and specify that any future contracts for such tasks contain a detailed description of the task to be performed; (2) instruct the project managers to consider all feasible alternatives when making any future design changes and document the basis for alternatives selected; (3) have the system's design elements integrated and tested sequentially, as appropriate, to ensure that unforeseen problems are identified and corrected as quickly as possible; and (4) formalize a system for accumulating the system's development costs required for management purposes and ensure that the system contains appropriate controls to provide for accurate accumulation of all relevant costs.

Agency Comments/Action

HUD agreed with the GAO recommendations. Appearing before the House Appropriations Committee in April 1980, HUD officials stated that most of the recommendations had been implemented or were being considered for implementation after the system becomes operational.

Appropriations

Salaries and expenses - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees should require HUD to submit status reports on the system's development costs and progress. Significant variances from the established cost and time milestones should be explained.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Evaluation of Alternatives for Financing Low and Moderate Income Rental Housing

(PAD-80-13, 9-30-80)

Budget Function: Community and Regional Development: Community Development (0451)
Legislative Authority: Housing Act (42 U.S.C. 1437). 42 U.S.C. 1437f. 42 U.S.C. 1437i. 42 U.S.C. 1437i(b).

Over the past 10 years, financing of Government-subsidized housing has changed from the more traditional and well-understood financing methods to more unusual combinations of the basic building blocks of the older programs. The new mechanisms, created to overcome the problems of older programs, have resulted in higher costs and some new problems. New and old alternatives for financing subsidized multifamily housing were compared in terms of: total costs over the lives of projects; operating lives of subsidized units; risk of financial failure; adequacy of incentives to lenders, builders, and investors; and tenant groups served. The alternatives studied included the conventional public housing program; private lending insured by the Federal Housing Administration (FHA); State housing agency financing using tax-exempt bonds and private ownership; financing by public bodies who issue tax-exempt bonds under section 11 of the National Housing Act; and certain subalternatives and combinations of these methods. Except for public housing, each financing alternative uses rental assistance payments from the Department of Housing and Urban Development (HUD) under section 8 of the National Housing Act. A more detailed comparison was made of the two important section 8 alternatives, lending insured by FHA and State agency tax-exempt financing.

Findings/Conclusions: The long-term costs of providing housing through public housing and FHA insurance alternatives are much lower than the State housing and section 11 options. The section 8 program is expected to have fewer failures than past FHA subsidized programs because it uses fewer nonprofit sponsors, subsidizes less rehabilitation, and produces fewer projects for families. Construction and early operation are the most risky periods in a project's life; good monitoring by the lender should reduce risk. Generally, State agencies serving as lenders are better managers of risk than private lenders. While the financing alternatives studied provided the necessary enticements to encourage housing production, shortcomings still exist. Section 8 was designed to serve a wide range of eligibles, but the housing produced under it has primarily been serving elderly and small nonelderly families; little section 8 housing being built will accommodate families with children or large households. Only a small share of housing assistance is going to eligible nonelderly households above the poverty line who have difficulty finding good housing at affordable rents. FHA insured financing is much less costly than State agency financing, even when the cost of more expected failures is considered.

Recommendations: HUD should provide budget estimates to Congress which show all major costs over an expected subsidy life discounted to reflect current year dollars. It should also develop a strategy to overcome some of the problems of producing family housing. This might be done by eliminating some of the incentives favoring elderly housing such as the higher fair market rents granted elderly housing. In addition, HUD should take steps to target some housing at the working poor. To decrease the cost of subsidizing tenants who live in projects financed by State housing finance agencies, HUD should require State agencies to produce full rent comparability tests which should be subject to HUD review and approval. Since State agency risk avoidance is probably encouraged by the agency role as a lender without insurance, HUD should avoid granting mortgage insurance to projects financed by State agencies. Congress should take the following steps to improve oversight and insure greater equity for families and the working poor: require HUD to report periodically to the housing oversight committees during the next 2 years on how well the needs of families and nonpoverty lower income households are being met by the various housing programs; and enact legislation requiring that some percentage of housing assistance funds go to nonelderly households and particularly larger eligible households above the poverty threshold.

Agency Comments/Action

No agency comments were received as of the date of this report.

Appropriations

Subsidized rental housing for low- and moderate-income households - Department of Housing and Urban Development, Federal Housing Administration

Appropriations Committee Issues

Conventional public housing is the least expensive way to finance subsidized housing because (1) it is publicly held housing and therefore does not incur the hidden cost of tax revenue foregone due to depreciation deductions, and (2) the debt service is lower due to the lower interest rate on tax-exempt bonds resulting from the Federal bond guarantee. The two most costly financing methods are state housing finance agencies' use of tax-exempt bonds and section 11(b) financing. Both of these alternatives incur high Federal tax revenue losses and costly depreciation allowances. HUD should increase the proportion of assisted units produced under the public housing mechanism which is the least costly alternative. This type of shift could only be achieved if Congress adjusted present funding levels. HUD should also adjust section 8 fair market rents or approved contract rents to reflect the high debt service needed for use of ratable bonds. The Secretary of HUD should encourage the use of mortgage-backed securities to finance section 8 housing because the greater security and attractiveness to investors of purchasing securities as opposed to holding project mortgages, should allow a lower net cost of borrowing, and subsequently, a lower total subsidy.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Housing and Urban Development's Efforts To Improve Its Accounting System for Mortgage Insurance Premiums

(FGMSD-80-27, 3-19-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)

GAO reviewed the action taken by the Department of Housing and Urban Development (HUD) to improve its system for billing and collecting mortgage insurance premiums. The review concentrated on the effectiveness of actions taken to reduce the amount of delinquent premiums.

Findings/Conclusions: HUD has not been sufficiently aggressive in collecting the millions of dollars in premiums that mortgage institutions owe. Controls over the delinquent premiums were expected to be drastically improved once a new automated system was implemented in September 1979. However, design changes have caused delays and the system is not scheduled for implementation until 1982. Because of this, HUD has started making long-needed improvements to its existing accounting system. Procedures currently used are inconsistent with those followed in the private sector and could keep some mortgagees from knowing about delinquencies for years. HUD also had difficulty collecting the application fees that homeowners actually paid in advance from the mortgagees. This problem could be mitigated by requiring the mortgagee to pay the fees when the application is accepted rather than waiting until related documents are processed through the system.

Recommendations: In order to correct the deficiencies noted, the Secretary of HUD should: perform a mortgage reconciliation with each mortgagee, revise the billing system to include all delinquent as well as current premiums due on the anniversary date, send an acknowledgement to the mortgage holder which lists all delinquent premiums owed on the mortgage each time a mortgagee or servicing agent is changed in the master file, refrain from canceling current or delinquent premiums until receiving notification that all valid receivables that were due the Government when the insurance was canceled were in fact collected, and aggressively pursue the collection rather than the liquidation of valid delinquent premiums.

Agency Comments/Action

HUD generally agreed with the recommendations and planned action on some of them. HUD indicated that it would be too expensive to implement the recommendations pertaining to (1) sending delinquent premium acknowledgements to new mortgage holders, and (2) ceasing premium cancellation.

Appropriations

Salaries and expenses - Department of Housing and Urban Development

Appropriations Committee Issues

Similar recommendations were made in 1977 by GAO. If the recommendations are not implemented within a reasonable time, the Committees should require HUD to submit a report showing why implementation would not be cost-effective.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD Should Make Immediate Changes in Accounting for Secretary-Held Multifamily Mortgages

(FGMSD-80-43, 5-16-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)

The Department of Housing and Urban Development (HUD) holds over 2,000 multifamily mortgages valued at about $3.7 billion. These Secretary-held mortgages were either returned from commercial lenders after mortgagors defaulted on their insured mortgages or resulted from HUD selling property it had previously acquired.

Findings/Conclusions: As of September 30, 1979, HUD reported that $500 million in payments on multifamily mortgages was delinquent. Numerous problems have contributed to the high amount of delinquency. These included several accounting system weaknesses that prevented adequate information from being available to properly service individual mortgages and to promptly and accurately pay property taxes. Also, incentives were lacking to encourage mortgagors to make payments under revised payment plans (workout agreements) to prevent foreclosure.

Recommendations: The Secretary of HUD should direct that the accounting and servicing functions of HUD be changed so that: (1) servicing personnel receive information on mortgagors' payment status under the terms of workout agreements; (2) an interim billing system is established for newly assigned mortgages; (3) late charges are assessed on payments overdue under the mortgages or the workout agreements; (4) inventories of the responsible headquarters' offices and the field offices are reconciled periodically; (5) the responsibility to obtain tax bills on multifamily projects is transferred to the field offices; (6) records of the taxing authorities and HUD are reconciled periodically; (7) workout agreements that provide for a specific payment amount are established within 90 days after receiving a defaulted mortgage; (8) field offices are required to obtain adequate financial statements when they are not submitted promptly or fail to meet HUD regulations; (9) servicing personnel are further trained in financial statement analysis; and (10) aggressive action is taken to obtain repayment of project funds that have been diverted.

Agency Comments/Action

HUD agreed to implement all of the GAO recommendations and has set December 1980 as the goal for full implementation. Several of the recommendations are under study to determine exactly how they should be implemented, so it is not clear whether the goal will be met.

Appropriations

Federal Housing Administration Fund - Federal Housing Administration

Appropriations Committee Issues

The Senate Committee has been and should continue to monitor HUD progress in implementing the GAO recommendations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Problems in Implementing the Department of Housing and Urban Development's New Payroll System

(FGMSD-80-72, 7-22-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: 31 U.S.C. 529. 31 U.S.C. 82(c).

A Congressman requested that the new Terminally Operated Personnel/Payroll System (TOPPS) at the Department of Housing and Urban Development (HUD) be examined because some HUD employees have not been paid promptly and accurately under the system. The employees complained that they received paychecks for wrong amounts due to incorrect withholding and overtime computations, and other errors. Some complained about system delays in adding or terminating personnel and changing employee status.

Findings/Conclusions: Most complaints were attributable to four basic problems: (1) the system contained some design weaknesses; (2) it was implemented before operating personnel were adequately trained; (3) an adequate means of resolving complaints had not been provided; and (4) emergency salary payments were improperly treated as advances. It was noted that the TOPPS system design has not been submitted to GAO for approval because HUD has been unable to devote adequate staff to do the system's documentation. Although the system contained procedures to control the accuracy of data inputs that affect pay and related records, it was not designed to deal with inaccurate data carried over from the old payroll system, completely process all transactions affecting summary pay records, nor reject automated processing of pay for excessive amounts. Officials agreed that a formal training program was necessary for system employees; but at the end of the review, action had not been started to develop the program. According to HUD officials, present staffing allowed little or no chance of reducing the current backlog of complaints in the near future. To handle the complaints about not receiving paychecks, the Treasury allowed HUD to implement emergency salary payments from imprest funds. It cautioned that the payments were to be for actual hours worked. HUD emergency payments were for an approximation of the salary due. Many emergency payments became advances or loans that were outstanding for extended periods. Many outstanding payments became uncollectable because employees had left HUD.

Recommendations: The Secretary, HUD, should revise the emergency salary procedures to comply with pertinent laws and Treasury requirements, and start collection of the outstanding balances.

Agency Comments/Action

No comments had been received as of the date that this report was prepared.

Appropriations

Salaries and expenses - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees should make sure HUD recovers the advances already made to its employees and revises its procedures so that no more advances will be made.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Section 8 Subsidized Housing--Some Observations on Its High Rents, Costs, and Inequities

(CED-80-59, 6-6-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Housing Act of 1949. Housing and Community Development Act of 1974 (P.L. 93-383). Housing and Community Development Amendments of 1979. 24 C.F.R. 880. 24 C.F.R. 881. 24 C.F.R. 882.

The Department of Housing and Urban Development's (HUD) Lower Income Rental Assistance Program, also known as the Section 8 Program, is the major Federal program for providing the poor with funds or other means to compete for existing housing in the neighborhoods of their choice. Under the Program, HUD makes assistance payments for annual contribution contracts to public housing agencies authorized to engage or assist in developing or operating housing for lower income families. The agencies then pay the owners of units on behalf of the eligible families and in accordance with executed housing assistance payment contracts. Eligibility for assistance is generally limited to families with incomes which do not exceed 80 percent of the median income for the particular area of residence. A Federal subsidy is paid equal to the difference between the contract rent, which is based on the market rent of comparable standard units in the area, and the amount of rent paid by the eligible family. Fair market rents are used to determine the amount of total rent paid, and they are supposed to reflect the rentals that prospective tenants who are not assisted would be willing and able to pay.

Findings Conclusions: GAO found that the Program is costing more than it should and is serving only a fraction of those in need. However, the projects visited were having a positive impact on the neighborhoods in which they were located and were providing adequate housing to the families living in them. At the end of fiscal year 1979, expenditures were about $2 billion annually and the budget authority for the units occupied and those expected to be occupied in 1980 has been set at about $128 billion. Factors contributing to the high costs of rental housing have been many and varied, and often the result of economic, social, and political considerations for which HUD cannot be held accountable. However, the review disclosed instances where rents and costs were greater than they should have been and could have been controlled by HUD. One contributing factor to the high program costs has been the manner in which HUD has determined fair market and gross rents, which are often higher than they should be. Other problems included: little concern for the high rental and subsidy levels on the part of some HUD officials; the use of sometimes unrefined and unreliable methods for establishing rents; too much emphasis on meeting production goals and not enough on costs; HUD generosity regarding features and amenities not normally expected in subsidized housing; and the failure of owners and public housing agencies to properly verify tenant income and allowances.

Recommendations: To further reduce costs within the program and thereby enable more households to be assisted, the Secretary of HUD should: (1) issue a notice to all program personnel outlining the economic, social, and political reasons why Section 8 costs must be curbed and why greater equity and uniformity in the distribution of benefits is needed; (2) ensure, either through strengthened procedures or better monitoring of established procedures, that fair market and contract rents are properly established; (3) strengthen the procedures used in verifying tenant income and allowances; (4) increase tenant contributions toward rents as authorized by the 1979 legislation; and (5) establish a work group within HUD to conduct socioeconomic research directed at finding ways in which Section 8 and other federally subsidized housing costs can be reduced and a greater degree of equity achieved among the many households determined to be in need.

Agency Comments/Action

HUD generally agreed with GAO observations on the Section 8 Program's high rents, costs and inequities. Regarding GAO recommendations, HUD denied that there had been a lack of concern within the agency regarding high program rental and subsidy levels. HUD agreed with the findings and recommendations regarding the need for greater verification of tenant incomes. It outlined several procedures, notices, and training courses which it had developed or is developing which answer the GAO recommendations.

Appropriations

Section 8 housing subsidy program - Department of Housing and Urban Development

Appropriations Committee Issues

The Committees may wish to review why the program is costing more than it should and only serving a fraction of those in need.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Unsupported Yearend Obligations Overstate the Progress of Assisted Housing

(PSAD-80-41, 4-30-80)

Budget Function: General Government: Central Fiscal Operations (0803)
Legislative Authority: Congressional Budget Act of 1974. 31 U.S.C. 200.

GAO believes that a substantial portion of the yearend obligations reported by the Department of Housing and Urban Development (HUD) since fiscal year 1976 for the "Annual Contribution for Assisted Housing" appropriation account have been invalid because they did not meet the statutory test of legal sufficiency. In a subsequent year, HUD deobligated many of the invalid obligations of prior years and reobligated the amounts involved. GAO was unable to determine how much was deobligated from each year prior to fiscal year 1979, but agency officials indicated that they expected several billion dollars in deobligations in the current fiscal year.

Findings/Conclusions: GAO found that HUD had a $16.5 billion surge in obligation in the last month of fiscal year 1978 in the assisted housing account. HUD recorded obligations when in reality there was no legal obligation on the part of the Government. Subsequently, a portion of the reported obligations were deobligated and reobligated providing HUD with significant amounts of obligational authority in excess of that indicated by its financial reports. Obligations for the account were based on notification and reservation letters which advised housing project sponsors that their projects were tentatively selected for funding. GAO believes that the letters are not legally sufficient to constitute obligations and that HUD could have misled Congress on its needs for additional budget authority by understating the balance available for obligation. The practice gives the impression that HUD has carried out its mission by actually contracting for assisted housing to a greater extent than it has. HUD maintains that the extent of the deobligations in relation to obligations is not nearly as high as is implied by the data, and that less than 10 percent of the obligations fail to result in contracts with the intended parties. It advises that the method is used because it believes that it could be liable to a recipient of a reservation letter if the recipient incurred costs in relation to the project and HUD later withdrew the reservation. GAO believes that, because the document clearly states that it is not a legal obligation, the HUD procedure serves only to inflate the amount of reported obligations.

Recommendations: The Secretary of HUD should conduct a complete review of this account from fiscal year 1976 to determine valid obligations based on contracts. The HUD Inspector General's office should validate the results of the review. The Secretary should direct that HUD record obligations on the basis of executed contracts and that a cumulative (including fiscal years 1976, 1977, and 1978) corrected Yearend Closing Statement be prepared for fiscal year 1979 and certified to by the responsible HUD officer as required by law.

Agency Comments/Action

HUD agreed to implement the GAO recommendations and to make the necessary changes to provide full disclosure to the Congress on the status of obligations. However, HUD has not set a specific target date for completing the task and, historically, it has taken a long time to complete tasks of this nature.

Appropriations

Assisted housing - Department of Housing and Urban Development

Appropriations Committee Issues

Based on fiscal year 1979, HUD deobligations of about $7 billion were not reported to Treasury, OMB, or Congress. The method now used by HUD (recording obligations based on reservation and notification letters) allows many billions to be warehoused as obligations, when in fact they are not valid obligations as required by law, but rather are commitments which may or may not mature into obligations with the original recipient. From an accounting perspective, to meet the test of usefulness as well as full disclosure, commitments such as reservation and notification letters should be shown separately as commitments in budgetary and financial reports, and not co-mingled with obligations, in order to be properly understood not only by management and the Congress, but the public as well. The Committees may wish to ask the Secretary of Housing and Urban Development to provide a deadline for implementing the GAO recommendations, and submit status reports explaining the reasons for any lengthy delays.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Work Measurement System of the Department of Housing and Urban Development Has Potential but Needs Further Work to Increase Its Reliability

(FPCD-77-53, 6-15-77)

Budget Function: General Government: Central Personnel Management (0805)

HUD's original claims of extensive standards were not justified, as revised statements showed that standards were used to develop estimates for only about 42 percent of staff requirements. The reliability of standards varied because of weaknesses such as: (1) lack of studies on methods for achieving work efficiency, (2) variation in data produced by the questionnaire/interview procedures, (3) insufficient definition of tasks, (4) use of subjective judgments, (5) lack of documentation, and (6) lack of procedures to review and update standards. Discrepancies were noted in workload forecasts with some appearing excessive and some being understated when compared with prior years' accomplishments. The budgeting process seemed to inhibit reliable staffing estimates and to allow the use of contract personnel.

Recommendations: HUD should improve practices for developing work measurement standards by (1) performing methods studies on task efficiency, (2) improving data collection and analysis, (3) defining tasks in greater detail, (4) assuring independence of individuals setting standards, (5) improving documentation, (6) formalizing a process for reviewing and updating standards, and (7) reevaluating staff resources to develop and maintain the system. The Subcommittee on HUD-Independent Agencies should encourage HUD to develop a more objective and reliable work measurement system, and require that the budget submission include a comprehensive plan and statement on the progress made in the system's development. The Department has implemented some of the GAO recommendations and plans to initiate others to improve the reliability of its work measurement system.

Appropriations

Salaries and expenses - Office of Personnel Management
Operation and maintenance - Department of Housing and Urban Development

Appropriations Committee Issues

In future authorization and appropriation requests, the Committees should assess the HUD progress toward improving the coverage and reliability of its work measurement system.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Section 236 Rental Housing: An Evaluation with Lessons for the Future

(PAD-78-13, 1-10-79)

Budget Function: Commerce and Transportation: Morgage Credit and Thrift Insurance (0401)
Legislative Authority: National Housing Act (12 U.S.C.1715 z-1). Housing and Urban Development Act of 1968.

The Section 236 rental assistance program provided new and rehabilitated rental housing to low and moderate income tenants. This program, along with other housing initiatives, was created in 1968 to boost the Nation's existing housing supply. It joined Federal Housing Administration mortgage insurance with a direct mortgage interest subsidy, the usual tax incentives for low and moderate income housing. This combination of subsidies and a 40-year mortgage term resulted in lower rents than would have been possible in conventionally financed projects.

Findings/Conclusions: Section 236 has been effective in providing housing for moderate income families during a period when the supply of moderately-priced rentals has been shrinking. However, section 236 construction is complete, and the Department of Housing and Urban Development (HUD) has refused to make new commitments under the program. At the same time, current public policy provides housing assistance to low income households, and middle and upper income households benefit from tax expenditures for mortgage interest deductions and tax incentives for rental housing. Housing subsidy costs have been analyzed unsatisfactorily because little consideration has been given to indirect subsidies or long-term costs. Alternatives to construction continue to be stressed primarily because of short-term cost savings.

Recommendations: The Secretary of HUD should design positive measures to assure that moderate income households receive some equitable share of future housing assistance. HUD should revive section 236 to provide moderate income housing until workable alternatives are developed. Congress should provide additional funding for section 236 to allow HUD to enter into new commitments under the program and amend present housing assistance funds to be used to subsidize moderate income households.

Agency Comments/Action

The Department shared GAO's view that the program was an effective means of assisting a segment of the housing poor. However, they felt the inflexibility of the Section 236 subsidy which tied payments to the mortgage debt and therefore could not accommodate operating cost increases, in combination with more general multifamily insurance problems, undermined the long-term economic viability of Section 236. HUD also said that it was exploring other methods to aid moderate income households. They agreed with us that they had "a responsibility to respond to the housing needs of the entire range of housing deprived." The Department stated that it had been making cost comparisons for many years and that they would continue to seek improvement in their methodology and data. HUD agreed that it needed to better understand the factors which make projects risky and said they would conduct a thorough study of multifamily default risk and would use this to analyze past performance and future initiatives. But they did not agree with the recommendation to suspend commitments for nonprofits, cooperatives, and rehabilitated projects.

Appropriations

Rental assistance - Department of Housing and Urban Development, Federal Housing Administration

Appropriations Committee Issues

The absence of a HUD policy to effectively deal with the problems of moderate income households may require some action by Congress. The moderate rental stock continues to shrink rapidly. In view of HUD inability to adequately compare the costs of existing leasing to new production, some serious consideration should be given to the mix between existing subsidies and new construction subsidies to avoid long-term damage to the cost and supply of housing units. Although activity for nonprofit and rehabilitated projects seemed to have fallen off under section 8, HUD continues to stress these options and has not made any significant improvement in its ability to screen out the unacceptably high-risk projects.

CONTENTS

Matters Affecting Appropriations of All or Most Federal Departments and Agencies 1 1/A6

Departments

Agriculture 27 1/C4
Commerce 60 1/E9
Education 76 1/F11
Energy 84 1/G5
Health and Human Services 128 2/C8
Housing and Urban Development 181 2/G5
Justice 192 3/A3
Labor 207 3/B4
State 224 3/C7
Interior 227 3/C10
Treasury 239 3/D8
Transportation 251 3/E6

Agencies and Other Organizations

Administrative Conference of the United States 276 3/G3
Administrative Office of the United States Courts 277 3/G4
Architect of the Capitol 278 3/G5
Corps of Engineers (Civil Functions) 280 3/G7
District of Columbia Government 281 3/G8
Environmental Protection Agency 287 3/G14
Farm Credit Administration 300 4/A14
Federal Communications Commission 301 4/B1
Federal Emergency Management Agency 302 4/B2
Federal Maritime Commission 304 4/B4
General Services Administration 305 4/B5
Government Printing Office 316 4/C2
Interstate Commerce Commission 317 4/C5
Legal Services Corporation 322 4/C8
Library of Congress 323 4/C9
National Aeronautics and Space Administration 324 4/C10
National Transportation Safety Board 326 4/C12
Office of Management and Budget 327 4/C13
Office of Personnel Management 334 4/D6
Securities and Exchange Commission 351 4/E9
Small Business Administration 353 4/E11
Tennessee Valley Authority 361 4/F5
Veterans Administration 362 4/F6

Matters Affecting Selected Departments and Agencies 369 4/F13

Index to Departments, Agencies, and Other Organizations 449 5/E10

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Action Being Taken To Correct Weaknesses in the Rehabilitation Loan Program

(FGMSD-79-14, 3-14-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Housing Act of 1964. Housing and Community Development Act of 1977. 4 C.F.R. 102.10. 24 C.F.R. 445.1.

The Department of Housing and Urban Development (HUD) has outstanding loans of almost $334 million under its Rehabilitation Loan Program. Of the $334 million, over $53 million has already been returned to HUD as defaulted delinquent accounts and approximately $49 million may ultimately be returned as defaulted delinquent accounts. The Rehabilitation Loan Program provides direct low-cost loans to property owners for the rehabilitation of basically sound structures. Loans are initially serviced by the Federal National Mortgage Association (FNMA). When a borrower becomes 6 months delinquent or is at least 3 months delinquent and misses 3 consecutive payments, the loan is returned to HUD for servicing.

Findings/Conclusions: HUD did not maintain proper control over defaulted loans returned by FNMA. Some loans were delinquent for years, yet loan servicers had not recommended foreclosure or contacted the defaulted borrowers to arrange for loan payment. The manual record keeping system used by HUD cannot adequately handle the volume of defaulted loans on hand. The loan servicing activity has been hampered by a general lack of management attention. HUD has established a special task force under the supervision of the Under Secretary of HUD to study all aspects of the program and recommend needed changes. HUD has never developed and submitted the design of the accounting system for rehabilitation loans to the Comptroller General for approval.

Recommendations: The Secretary of HUD should direct the HUD Office of Finance and Accounting to develop and submit the design of the revised accounting system for rehabilitation loans to the Comptroller General for approval; and direct the HUD Inspector General to review actions taken to comply with suggestions of GAO and the task force and ensure that adequate system changes are implemented.

Agency Comments/Action

HUD is still in the process of revising its accounting system to include a number of improvements suggested by GAO and a special HUD task force. HUD has set no specific target for completing the project; however, historically it has taken a long time to complete projects to redesign accounting systems.

Appropriations

Rehabilitation Loan Fund - Department of Housing and Urban Development, Community Planning and Development

Appropriations Committee Issues

The Committees should ask the Secretary of Housing and Urban Development to provide a deadline for submitting its revised system for approval by GAO and to submit status reports explaining the reasons for any lengthy delays.

DEPARTMENT OF JUSTICE

Community-Based Correctional Programs Can Do More To Help Offenders

(GGD-80-25, 2-15-80)

Budget Function: Administration of Justice: Federal Correctional Activities (0753)
Legislative Authority: Adult Education Act (20 U.S.C. 1201-1213). Comprehensive Employment and Training Act of 1973 (P.L. 93-203; 87 Stat. 839). Elementary and Secondary Education Act of 1965 (20 U.S.C. 236 et seq.). Higher Education Act of 1965 (20 U.S.C. 1001). Juvenile Justice and Delinquency Prevention Act of 1974 (42 U.S.C. 5601 et seq.). National Apprenticeship Act (29 U.S.C. 50 et seq.). Vocational Education Act (20 U.S.C. 2301 et seq.). Wagner-Peyser Act (Federal Employment Service) (U.S.C. 49 et seq.).

Congress has expressed concern about the adequacy of programs which assist offenders to reintegrate into the community. Offenders eligible for community-based correctional programs include those who have been released after completing their sentences, were on probation or parole, or were serving part of their sentence under supervised living arrangements. Although many of these offenders need help in order to successfully assume job, family, and other community responsibilities, only limited assistance is provided. More could be done if the Bureau of Prisons made better use of its community facilities; probation officers did more to assist offenders; and Federal, State, and local agencies coordinated their efforts to help offenders in the community. It was also found that the Bureau of Prisons had no system for determining which offenders would be sent to community facilities or the length of time they should stay.

Findings/Conclusions: More could be done for reintegrating offenders into the community if the management of the Bureau of Prison's community programs was improved. Halfway houses need adequate statements of work, and their performance as well as the performance of the Bureau's Community Treatment Centers (CTC) should be monitored. Comprehensive information should be provided to Federal and State probation officers and community facilities on the progress of offenders while incarcerated, and coordination of community services for offenders should be improved. The Bureau should also improve contracting practices by: (1) acquiring qualified personnel to negotiate and monitor halfway house contracts, (2) providing halfway houses with adequate statements of work, and (3) obtaining and fully analyzing cost and pricing data from contractors. Furthermore, the Federal Probation System and State Authorities have not assured adequate identification of offenders' needs in presentence reports, development of comprehensive program plans for addressing offenders' needs, or routine reassessment of the offenders' progress in programs.

Recommendations: The Attorney General should require the Director of the Bureau of Prisons to: (1) develop adequate guidance to assist institutional staff in prioritizing the selection of offenders to be released through community facilities; (2) place increased emphasis in making sure that community facilities address offenders' needs by providing halfway houses with comprehensive statements of work, monitoring their activities, and performing comprehensive management reviews of the operations of CTC; (3) improve contracting practices; (4) provide Community Program Officer's with reliable information on offenders returning to the community; (5) develop procedures to assure full utilization of CTC before offenders are sent to halfway houses; and (6) work together with the Chief of the Federal Probation System to identify the information needed by both agencies and to develop procedures for sharing it. Furthermore, the Chief of the Federal Probation System needs to: fully identify offenders' needs in presentence reports; prepare individualized offender program plans; regularly reassess offender progress in programs; and develop better guidance to assist probation officers in job placement activities. Additionally, the Attorney General should: require the Director of the National Institute of Corrections to disseminate information on any positive action taken by the Bureau of Prisons and the Federal Probation System; require the Director of the Bureau of Prisons to monitor community facilities' use of available community resources to avoid duplication; and require the Administrator of the Law Enforcement Assistance Administration (LEAA) to emphasize the use of existing community resources before approving new LEAA-funded programs.

Agency Comments/Action

The Department of Justice has taken action to implement the GAO recommendations directed to the Attorney General.

Appropriations

Contract services - Department of Justice, Bureau of Prisons

Appropriations Committee Issues

The Committees should consider the proper use of resources.

DEPARTMENT OF JUSTICE

The Department of Justice Can Do More To Help Improve Conditions at State and Local Correctional Facilities

(GGD-80-77, 9-15-80)

Budget Function: Administration of Justice: Federal Correctional Activities (0753)
Legislative Authority: Civil Rights of Institutionalized Persons Act. Civil Rights Act (42 U.S.C. 2000b; 42 U.S.C. 2000h).

Unsafe, insanitary conditions in many State prisons and local jails endanger the health and well-being of inmates, correctional staff, and visitors. Correctional institutions need adequate maintenance programs, trained personnel, and inspection programs which can detect deficiencies and ensure that they are corrected. The responsibility for improving conditions rests primarily with State and local governments, but there are five Department of Justice agencies that are also involved with prisons and jails: the Civil Rights Division, the Marshals Service, the Bureau of Prisons, the Law Enforcement Assistance Administration (LEAA), and the National Institute of Corrections. These agencies could provide increased assistance to State and local correctional officials that are interested in improving health and safety standards in their prisons and jails.

Recommendations: The Attorney General should: (1) expand the role of the Civil Rights Division so that it assists troubled institutions desiring assistance in solving environmental health problems, even though the conditions do not warrant civil action; (2) upgrade the Marshals Service's jail inspection services program, by including better training, using its resources and expertise to assist jail administrators and inspectors in improving their effectiveness, and exploring the possibilities of increased coordination and cooperation with State and local inspection agencies; (3) direct the Bureau of Prisons to work with the National Institute of Corrections to set up a mechanism for disseminating information on its environmental health experience to correctional officers at all types of institutions, and for opening more Bureau training to State and local officials; (4) encourage and assist State and local officials to develop maintenance programs by directing LEAA to support the development of maintenance standards to be used as models by correctional officials and detailed guidelines which will assist administrators in implementing plans to meet the standards; (5) establish a program within the National Institute of Corrections for disseminating information regarding equipment and materials suitable for correctional facilities; and (6) encourage the National Institute of Corrections to expand its environmental health training programs to reach a larger number of correctional officials and include a wider range of safety and sanitation programs.

Agency Comments/Action

The Department of Justice stated that a concerned effort would be made to assist States and localities in improving conditions in their correctional facilities.

Appropriations

Department of Justice

Appropriations Committee Issues

The Committees should monitor Justice Department actions to ensure efficient use of resources.

DEPARTMENT OF JUSTICE

Justice Needs To Better Manage Its Fight Against Public Corruption

(GGD-80-38, 7-24-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)

In 1977, the Department of Justice designated public corruption, which is crimes by public officials, as one of the priorities among its law enforcement activities. Justice had already established the Public Integrity Section (PIS) as a focal point for coordinating its attack on public corruption.
Findings/Conclusions: GAO found that management and coordination of public corruption activities by PIS need to be improved. PIS needs to effectively plan public corruption efforts and develop accurate and comparable data on these efforts. The Economic Crime Enforcement Program (ECEP), established by Justice, is an attempt to further step up its attack nationwide on white collar crime and public corruption. The ECEP goal is to neutralize jurisdictional conflicts, coordinate intelligence, and focus specialized resources on all field aspects of white-collar crime. GAO found that this new endeavor is a step in the right direction and much better than its past system.
Recommendations: To insure that public corruption activities are adequately coordinated and managed, the Attorney General should require that: (1) a standard definition of "public corruption" be delineated to enable consistent reporting of cases handled by the U.S. attorneys; (2) a system be developed and implemented to identify and classify public corruption cases to enable future evaluation of the cases handled; and (3) PIS take a more active role in managing the public corruption effort. With regard to ECEP, the Attorney General should require the development of a plan that will enable Justice to fully evaluate the success of this new program and identify areas where improvements could enhance its efforts. The Attorney General also needs to clarify the roles of this program and its relationship to the responsibilities of PIS.

Agency Comments/Action

No action has been taken on our recommendations as of September 22, 1980.

Appropriations

Legal activities/criminal matters - Department of Justice, Criminal Division
Salaries and expenses/U.S. attorneys - Department of Justice, Executive Office for U.S. Attorneys

Appropriations Committee Issues

To achieve the greatest impact on public corruption, Congress should insure that the Justice Department improves its efforts to fight public corruption and clarifies the role of its new program to fight economic crimes.

DEPARTMENT OF JUSTICE

Poor Management Identified at the Bureau of Prisons

(GGD-80-45, 6-6-80)

Budget Function: Administration of Justice: Federal Correctional Activities (0753)

Because an investigation at a Federal penitentiary revealed serious business management weaknesses at the institution, GAO was requested to review how well the Federal Bureau of Prisons' institutions managed their procurement, financial, property, services, and personnel activities. The Director of the Federal Prison System is responsible to the Attorney General for the management and direction of the Bureau. Business operations are to be conducted in accordance with the accounting system approved by GAO as provided in the Bureau's policies. The Bureau's central office is responsible for developing, executing, and monitoring the Bureau's financial plans, controlling the funds it receives from its Salaries and Expenses appropriation and Building and Facilities appropriation, and operating the computerized financial management system. Each institution is responsible for its own business operations, including developing resource requirements, executing financial plans, controlling funds and property, disbursement, and cash transactions. The review was conducted at five of the Bureau's institutions in three of its five administrative regions.

Findings/Conclusions: The Bureau has satisfactory policies for managing its business activities, but many were not adequately implemented. Its accounting system meets the GAO standards for internal management control, but its plans were not adequate for allocating and controlling resources, expenditures were not controlled, property was not adequately safeguarded, and audit programs did not result in adequate reviews or corrective action. Thus, the Bureau managers did not carry out all their duties and responsibilities as effectively as possible. Institutions disregarded Bureau policies by inadequately determining and justifying their needs for the personnel, goods, and services to be used in fiscal year 1978. The appproved plans could not be used for monitoring and controlling operations and for assessing management performance.

Recommendations: The Attorney General should direct the Department of Justice internal audit staff to assess, at appropriate intervals, the Bureau's progress in (1) better implementing its policies for annual and quarterly resource planning, and to report the extent to which Bureau managers develop comprehensive, realistic, and adequately supported resource plans, and use these plans for controlling their operations, and (2) controlling its expenditures by insuring that each institution follows its procedures for acquiring, using, and disposing of property, and to report their findings to him. Further, the Attorney General should require the Director to enforce the Bureau's policies for safeguarding property, and to establish policies for the employees' use of that property, including as appropriate, any necessary reimbursement to the Government. The Director should also revise the Bureau's policies to establish control accounts in the general ledger for controlled noncapitalized property and for supply inventories so that independent total figures can be established against which the totals shown on the property and stock records can be reconciled; include a more comprehensive list of controlled noncapitalized property so that additional items can be brought under accountable control; and require that cost center managers maintain the same records as the storekeeper and report the same data to the accounting supervisor. In addition, the Attorney General should require the Director of the Federal Prison System to enforce and improve the Bureau's policies on conducting internal audits by requiring institutions to accomplish their internal audit schedules; developing more detailed audit programs to help ensure that auditors will conduct intensive enough audits; and revising the Bureau's policies to require that the responsible staff members must promptly correct the problems identified by internal audits and must sustain those corrections. Also, the Attorney General should direct the Department of Justice internal audit staff to assess, at appropriate intervals, the Bureau's progress in better implementing effective internal audits, and to report their findings to him.

Agency Comments/Action

The Department is taking action to implement many of the recommendations contained in the report.

Appropriations

Salaries and expenses and buildings and facilities - Department of Justice, Federal Prison System

Appropriations Committee Issues

The Committees should consider the efficient use of Federal funds.

DEPARTMENT OF JUSTICE

Reducing Federal Judicial Sentencing and Prosecuting Disparities: A Systemwide Approach Needed

(GGD-78-112, 3-19-79)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activites (0752)
Legislative Authority: S. 1437 (95th Cong.). H.R. 6869 (95th Cong.). 21 U.S.C. 841. 18 U.S 4206. 28 U.S.C. 334. 18 U.S.C. 4205. 18 U.S.C. 4254.

Despite considerable attention, differences in the treatment of offenders continue to be a problem throughout the Federal criminal justice system. Although some differences in treatment are necessary, other disparities create doubt about the fairness of the system. The most obvious occur at the time of prosecution and sentencing of defendants who have similar backgrounds and are accused of similar offenses.

Findings/Conclusions: The major reasons that differences occur are due to the limited information available to officials exercising discretion and to the lack of guidance and criteria for those officials to use when exercising discretion. All areas of the criminal justice system lack such guidance. Due to the lack of data reporting procedures and an effective reporting mechanism, only limited information is available for determining whether the type and length of sentences are adequate or whether statutes used in sentencing are appropriate.

Recommendations: As the policymaking body for the Federal judicial system, the Judicial Conference should: establish appropriate policy guidance for judges to use at their discretion in sentencing decisions; establish a reporting and review mechanism to collect sentencing data and to study the adequacy of sentencing decisions; and request from Congress any legislative, statutory, or rule changes needed to improve the sentencing process. The Attorney General should use the results of the ongoing assessments of the prosecutive disparities as a basis for: (1) establishing uniform guidelines and procedures for all U.S. attorneys to use in deciding what violations of the criminal statutes to prosecute; (2) providing U.S. attorneys with policies and procedures to govern their use of plea bargaining so that consistency in plea bargaining can be achieved throughout all districts; and (3) establishing a reporting and review mechanism to collect data on prosecutive decisions and to study the adequacy of these decisions.

Agency Comments/Action

The Administrative Office of the U.S. Courts and the U.S. Parole Commission generally agreed with the report's findings, conclusions, and recommendations. The Department of Justice shared the goals sought by the recommendations but expressed concern over the method of developing certain issues. The Department recognizes the existence of disparity in criminal prosecutions and sentences, and is conducting three empirical studies relating to sentencing and prosecutive decisions. One study will lead to the development of proposals for insuring that prosecutive policies and practices are in accord with Federal law enforcement prioritites and that unwarranted disparities in prosecutive decisions are minimized. Another study is expected to develop data that could be used to develop sentencing guidelines. Finally, a case weight study will provide data on the processing of cases which will determine the extent of disparity in litigative decisions. The Department has also proposed establishing the Bureau of Justice Statistics.

Appropriations

Department of Justice, Administrative Office of the U.S. Courts

Appropriation Committee Issues

Congress should determine if Justice has developed: (1) sentencing guidelines; (2) proposals for insuring that prosecutive policies and practices are in accordance with Federal law enforcement priorities and that unwarranted disparities in prosecutive decisions are minimized; and (3) an information system for collecting data on prosecutive decisions.

DEPARTMENT OF JUSTICE

Some Criminal Offenses Committed Overseas by DOD Civilians Are Not Being Prosecuted: Legislation Is Needed

(FPCD-79-45, 9-11-79)

Budget Function: National Defense: Defense-related Activities (0054)

Legislative Authority: Reid v. Covert, 354 U.S. 1 (1960). Kinsella v. Singleton, 361 U.S. 234 (1960). Grisham v. Hagan, 361 United States 278 (1960). United States v. Catlow, 23 C.M.A. 142, 48 C.M.R. 758. United States v. Russo, 23 C.M.A. 511, 50 C.M.R. 630. 18 U.S.C. 7.

International law recognizes that a host country has criminal jurisdiction over U.S. military personnel stationed in that country. Negotiated agreements allowing the United States to exercise jurisdiction over service members stationed overseas give it criminal jurisdiction over many offenses committed by service members that otherwise would have been prosecuted by the foreign country or not prosecuted at all. The United States has virtually no criminal jurisdiction over the 343,000 civilian personnel and dependents accompanying the armed forces overseas. These civilians are subject to foreign criminal jurisdiction which is not always exercised.

Findings/Conclusions: GAO analyses indicate that the actions taken by the Department of Defense (DOD) in the military cases may be inadequate. Military officials believe that the civilians' knowledge that the United States does not have criminal jurisdiction is an encouragement to offenders. Many military commanders dispose of these offenses through administrative sanctions which are inadequate in terms of punishment and deterrency and safeguarding an individual's rights. The strongest administrative sanctions are often directed against the military member/sponsor, and not the civilian offender.

Recommendations: The Secretary of DOD and the Attorney General should prepare provisions for implementing the extraterritorial extension of laws and report their findings to the Congress by September 1980. They should consider provisions for: apprehending, restraining, and delivering these civilians to trial; bringing offenders back to the United States for trial; and establishing courts and/or magistrates overseas. The Secretary of DOD should direct the services to provide more information to the Congress about the number, type, and disposition of criminal offenses committed by civilians accompanying the military forces overseas. Further, the Secretary of DOD should improve the present reporting system to accumulate and track information on the disposition of all overseas cases involving service members released to U.S. authorities and include it in the annual report to the Senate Committee on Armed Services. Legislation should be enacted to extend criminal jurisdiction over U.S. citizen civilians accompanying the military forces overseas. The extraterritorial jurisdiction should extend to petty as well as serious offenses, because the less serious offenses appear to be the greatest disciplinary problem.

Agency Comments/Action

DOD recognized the need to account for cases released to U.S. military authorities for disposition, but they state nothing has been brought to their attention to indicate they are not already meeting requests for information by host countries.

Appropriations

Operation and maintenance - Army, Navy, Air Force, Marine Corps

Appropriations Committee Issues

U.S. criminal jurisdiction should be extended overseas to U.S. civilians accompanying the Armed Forces.

DEPARTMENT OF JUSTICE

ANTITRUST DIVISION

Closer Controls and Better Data Could Improve Antitrust Enforcement

(GGD-80-16, 2-29-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Sherman Antitrust Act (15 U.S.C. 1-7). Clayton Act (Trusts) (15 U.S.C. 12-27). Federal Trade Commission Act (15 U.S.C. 41-45).

Two agencies share responsibility for enforcing Federal antitrust laws: the Justice Department's Antitrust Division, through civil and criminal legal proceedings; and the Federal Trade Commission (FTC), through adjudication before Administrative Law Judges. Pursuant to a congressional request, GAO reviewed their performance in enforcing Federal antitrust laws. Data was compiled on 294 antitrust investigations over a 3-year period.

Findings/Conclusions: Both the Antitrust Division and FTC organized enforcement activities by program areas but could keep better track of how their staffs use their time. In the past, neither agency emphasized using evaluations to provide management information on the agency's effectiveness in restoring and maintaining competition. Both, however, were beginning to develop this capability. The review showed that both agencies monitored investigations on an informal basis and that some investigations might have been conducted more efficiently with closer management control. During the review, both agencies took steps to strengthen oversight, and FTC adopted new requirements to improve investigational planning. Although both agencies called on economists to assist in antitrust enforcement, economic assistance often was not requested on a timely basis. FTC employed research analysts to assist its attorneys but had no established ratio of attorneys to analysts.

Recommendations: The Antitrust Division should (1) accumulate data on the use of resources by enforcement programs; (2) evaluate the effectiveness of enforcement efforts in promoting competition; (3) strengthen management control over the progress of antitrust investigations to facilitate their orderly development and progress; and (4) provide guidelines on the role and use of economists and Federal Bureau of Investigation (FBI) agents. FTC should (1) accumulate information on the extent to which resources are used to pursue each type of violation of the antitrust laws; and (2) specify the type of investigations which should receive economic assistance, and require the early involvement of economists in investigations. The Antitrust Division and FTC together should (1) insure that evaluation plans and strategies be shared to avoid duplication and to increase the base of knowledge each agency has of the other; (2) establish a joint task force to plan a unified and comprehensive approach to evaluating antitrust enforcement; and (3) undertake joint evaluation efforts.

Agency Comments/Action

In its May 23, 1980, letter to the Senate Committee on Governmental Affairs, Justice stated that it: (1) is modifying its management information system to record time and cost of investigations by program category; (2) is discussing with FTC ways the two agencies can improve joint evaluation of enforcement efforts; (3) has established the need to plan and control investigations; and (4) has incorporated provisions in the Antitrust Division Manual on the role and use of economists and the FBI to assist antitrust investigations.

Appropriations

Legal activities/enforcement of antitrust - Department of Justice, Antitrust Division
Salaries and expenses/maintaining competition - Federal Trade Commission

Appropriations Committee Issues

Federal antitrust investigations can be improved through better management techniques and program evaluation.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

Prison Mental Health Care Can Be Improved by Better Management and More Effective Federal Aid

(GGD-80-11, 11-23-79)

Budget Function: Administration of Justice: Criminal Justice Activities (0754)
Legislative Authority: Narcotic Addict Rehabilitation Act of 1966 (P.L. 89-793, 80 Stat. 1438). Federal Youth Corrections Act (18 U.S.C. 5023-5026). 18 U.S.C. 4042.

Correctional officials, courts, and legislatures have concluded, to varying degrees, that inmates must have access to adequate health care. Adequate mental health care involves identifying inmates' individual problems or needs and providing treatment tailored to meet their needs.

Findings/Conclusions: The mental health care delivery systems of most prisons did not identify all inmates needing help or provide proper care. While Federal and State prisons required that new inmates be screened to determine their needs, this was not always adequate to identify mental health problems. The services provided inmates varied among prisons, but, in general, treatment efforts focused on inmates who were dangerous to themselves or others. Shortages of beds and staff limited the ability of most prisons to provide adequate care on either a daily or long-term basis. The Bureau of Prisons and three of the five States visited by GAO tended to treat behavioral disorders only when inmates requested help or when a crisis arose. A lack of standards hampered a Bureau effort to provide treatment programs for drug abusers, and the Bureau gave less attention to programs for alcohol abusers. State programs to treat drug and alcohol abusers reached relatively few inmates. Although limited funds and shortages of qualified staff will likely continue, improved administration could minimize many of the current inadequacies. In addition, better use of the variety of financial and technical assistance programs designed to help States improve the availability of treatment services for prison inmates could assist in bringing about coordinated planning by State criminal justice and health agencies to identify inmates' needs, support development of treatment programs and management, and provide research and training assistance.

Recommendations: The Bureau of Prisons should: (1) revise its inmate screening policy; (2) improve the basis for assessing program needs by regularly compiling and summarizing available information on the extent and nature of inmates' mental health problems; (3) require the establishment of a central psychological file for each inmate and reemphasize the need for adequate records of inmate problems and treatment actions; (3) establish greater management control over the quality and performance of substance abuse treatment programs; and (4) increase management surveillance of the quality of mental health services by expanded use of independent reviews by outside professional organizations. The Law Enforcement Assistance Administration should: (1) work with State criminal justice agencies to identify the extent of mental health problems in prisons, and (2) strengthen procedures for reviewing State criminal justice agencies' comprehensive plans to ensure that the plans adequately address the alcohol and drug treatment needs of prison inmates and provide for effective coordination with State substance abuse agencies to plan and program implementation actions. The Department of Health, Education, and Welfare should: (1) strengthen procedures for viewing State health and substance abuse agencies' comprehensive plans to ensure that the plans adequately address the mental health, alcohol, and drug treatment needs of prison inmates; and (2) revise program guidelines for participating State mental health and alcohol abuse agencies to make clear that the agencies should address the needs of prison inmates.

Agency Comments/Action

The Department of Justice has taken action to implement the GAO recommendations directed to the Attorney General.

Appropriations

Prison mental health care - Department of Justice, Bureau of Prisons, Law Enforcement Assistance Administration

Appropriations Committee Issues

The Committees should consider the proper use of resources.

DEPARTMENT OF JUSTICE

CIVIL DIVISION
CRIMINAL DIVISION
EXECUTIVE OFFICE FOR U.S. ATTORNEYS

Department of Justice Should Coordinate Criminal and Civil Remedies To Effectively Pursue Fraud in Federal Programs

(GGD-80-7, 10-25-79)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: Contract Disputes Act of 1978 (41 U.S.C. 601). Contract Settlement Act of 1944 (41 U.S.C. 119). False Claims Act (Against Government). Federal Claims Collection Act of 1966 (31 U.S.C. 951). Federal Property and Administrative Services Act of 1949 (40 U.S.C. 489). 28 C.F.R. 0.166. Fed. R. Crim. P. 6(e). 18 U.S.C. 1001. 18 U.S.C. 287. 18 U.S.C. 371. 31 U.S.C. 231.

Opportunities for defrauding the Government are virtually unlimited due to the number and variety of Federal programs. The magnitude of suspected fraud which has surfaced indicates that the problem is severe and that vigorous enforcement of both criminal and civil remedies is warranted. The Justice Department's enforcement of civil remedies was reviewed.

Findings/Conclusions: Justice is not making full use of civil remedies to insure that: (1) civil sanctions are considered as part of a coordinated prosecutive strategy against fraud; (2) attorneys give adequate consideration to a defendant's present and future ability to pay before compromising and closing civil fraud cases; and (3) civil fraud debt collections are vigorously pursued. Justice needs to make the most of its opportunities to recover the losses of program funds due to fraudulent activity.

Recommendations: The Attorney General should: (1) address, through better guidance and training, the concerns preventing coordination of criminal and civil cases; (2) develop an adequate referral system which will insure timely civil consideration of all fraud matters; (3) provide guidance and assistance to increase awareness of civil remedies and the benefits of coordinating criminal and civil remedies; (4) enforce Justice's policy of obtaining adequate financial information on a defendant before compromising or settling a case; (5) strengthen the management and enforcement of fraud debt collections; and (6) explore with the Congress and the States the possibility of a uniform statute allowing collection of Federal fraud judgments without regard to presently differing State laws.

Agency Comments/Action

The recommendations were implemented by the Department of Justice.

Appropriations

Legal activities/criminal and civil matters - Department of Justice, Criminal and Civil Divisions
Salaries and expense/U.S. attorneys - Department of Justice, Executive Office for U.S. Attorneys

Appropriations Committee Issues

To deter fraud in Federal Programs, Congress should (1) insure that the Department of Justice considers civil sanctions as part of a coordinated prosecutive strategy against fraud, and (2) require the Department to impose its management and enforcement of fraud collections.

DEPARTMENT OF JUSTICE

DRUG ENFORCEMENT ADMINISTRATION

The Drug Enforcement Administration's CENTAC Program--An Effective Approach To Investigating Major Traffickers That Needs To Be Expanded

(GGD-80-52, 3-27-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)

The Central Tactical Program was established by the Drug Enforcement Administration (DEA) to conduct investigations of major drug organizations. The Federal strategy for drug abuse and drug traffic prevention is aimed at immobilizing major drug organizations. The CENTAC program has proven to be an effective method of investigating and prosecuting large numbers of high level narcotics traffickers. Using few resources, Central Tactical investigations have accounted for a high number of arrests of major traffickers.

Findings/Conclusions: The CENTAC program has been successful, and program expansion is warranted. However, this is unlikely to occur given the DEA belief that the program is at its optimum level. Until DEA rigorously evaluates the benefits of its various programs, it will not be in a position to know whether to reallocate resources or to justify additional resources for CENTAC or CENTAC-type investigations. Illegally derived profits and assets must be taken if major drug trafficking organizations are to be immobilized. The CENTAC program investigations have left drug traffickers' drug-related assets virtually untouched. Some actions need to be taken by DEA to improve it efforts to take profits from drug organizations.

Recommendations: The Attorney General should direct the Administrator of DEA to evaluate the effectiveness of the various methods used to investigate major traffickers with the aim of determining whether redirecting enforcement resources from less productive approaches is feasible. The Attorney General should also direct Federal prosecutors to make greater use of statutes to obtain forfeiture of major narcotics traffickers' assets; and direct the Administrator of DEA to expand its program for the use of financial analysis and information in narcotic investigations.

Appropriations

Department of Justice, Drug Enforcement Administration

Appropriations Committee Issues

If DEA determines that additional resources cannot be redirected to the CENTAC program, Congress should consider the desirability of authorizing additional resources to expand the CENTAC program.

DEPARTMENT OF JUSTICE

EXECUTIVE OFFICE FOR U.S. ATTORNEYS
FEDERAL BUREAU OF INVESTIGATIONS

From Quantity to Quality: Changing FBI Emphasis on Interstate Property Crimes

(GGD-80-43, 5-8-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: S. 1214 (96th Cong.). 18 U.S.C. 659. 18 U.S.C. 2311-2313. 18 U.S.C. 2314.

The Federal Bureau of Investigation (FBI) has recognized that with its limited resources it could never adequately investigate all crimes within its jurisdiction. Thus in 1975, the FBI implemented quality over quantity concept in case workload to eliminate marginal investigations or matters not warranting Federal attention. To achieve its strategy of concentrating on quality cases, the FBI must rely on State and local police and prosecutors.

Findings/Conclusions: Although Justice Department policymakers clearly support the quality over quantity strategy, it has not been effectively integrated into the day-to-day operations of FBI field offices and U.S. attorneys' offices. Statistics showed that in 253 of the 467 sample cases, the FBI never attempted to coordinate with the State/local police. Also, 56 percent of the cases were closed or declined because of no Federal violation. Moreover, in the property crimes area, conflicting requirements and a lack of reliance on State/local assistance have perpetuated the heavy load of nonquality unproductive cases for the FBI. Currently, the FBI believes it should concentrate its investigations on interstate shipment thefts and interstate transportation of stolen property to quality cases over $50,000. However, U.S. attorneys have prosecutive guidelines that require FBI involvement in offenses that exceed $5,000, the amount established by law as being a Federal offense. Thus, although limiting FBI involvement in cases where Federal jurisdiction is lacking or uncertain is a readily accepted goal, it is not easily implemented.

Recommendations: The Attorney General, Department of Justice, should: (1) direct U.S. attorneys to change their prosecutive policies for property crimes to agree with FBI quality criteria; (2) determine corrective actions needed to establish or properly administer permanent Federal-State Law Enforcement Committees in each State; and (3) require that the FBI refer to the appropriate local authorities the property cases it closes and those which U.S. attorneys decline for prosecution involving violations of local laws. Additionally, the Attorney General should require the FBI to: (1) minimize FBI involvement in property crimes not warranting a Federal presence by developing guidelines that stress greater reliance on State and local law enforcement agencies; (2) maximize its efforts against major interstate property crimes by more aggressively identifying and investigating top property criminals; and (3) revise its quality criteria to exclude cases where Federal jurisdiction is uncertain. Congress should strike the reference to $5,000 from the statute governing the interstate transportation of stolen property so that Federal jurisdiction can be directed to those offenses where an expenditure of Federal resources would have the most impact on the Nation's property crime problem.

Agency Comments/Action

No action had been taken on the basis of the recommendations as of July 1, 1980.

Appropriations

Salaries and expenses/criminal, security, and other investigations - Department of Justice, Federal Bureau of Investigations

Salaries and expenses/U.S. Attorneys - Department of Justice, Executive Office for U.S. Attorneys

Appropriations Committee Issues

The $5,000 reference in the statute governing the interstate transportation of stolen property should be struck. Greater reliance on State and local law enforcement agencies needs to be stressed.

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Special Agents Should Be Phased Out as FBI Crime Laboratory Examiners

(GGD-80-60, 7-18-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)

Within the criminal justice community, the high costs of the special pay and retirement benefits granted to law enforcement officers have prompted analysis of the need for officers to staff support positions. The Federal Bureau of Investigation (FBI) crime laboratory represents an untapped opportunity to achieve economies by replacing special agents with civilian examiners. Of the four major Federal crime laboratories, only the FBI uses special agents as laboratory examiners. The FBI believes that special agent examiners bring an extra dimension to the analysis of physical evidence. It claims that agent/examiners provide superior examination services, make better court witnesses, and perform better field support functions. These views are not fully shared by the heads of other Federal laboratories; nor are they supported by the users of the laboratories, the majority of the examiners, and Federal prosecutors.

Findings/Conclusions: While having special agents as examiners has some benefits, the benefits are largely intangible and infrequent and, therefore, do not outweigh the added costs. Specifically, GAO found that: (1) officials at other Federal laboratories believed the use of agent/examiners was not essential; (2) laboratory examiners, FBI agent/examiners included, did not believe that investigative experience was useful in performing the majority of physical evidence analyses, and investigative experience did not alter the nature of laboratory examinations; (3) investigators who used Federal laboratories were equally satisfied with the services provided by all laboratories; (4) Federal prosecutors believed examiners from all Federal laboratories provided effective court testimony; and (5) FBI agent/examiners rarely performed field investigative support. The FBI laboratory is concerned that civilian staffing would lead to personnel turnover, resulting in an unstable workforce and high training costs. However, other Federal crime laboratories report no problems in retaining personnel. Finally, the use of special agent personnel imposes significant additional costs compared to civilian personnel. These costs arise because criminal investigators are usually higher graded and receive special retirement benefits. GAO estimates that annual cost savings of over $500,000 are possible. Firm estimates of the potential cost savings depend on decisions regarding staffing and compensation.

Recommendations: The Attorney General should direct the FBI to develop and implement a plan leading to the orderly transition to a civilian workforce in the FBI crime laboratory. Such a plan would necessarily include a position classification and staffing study, and it would be useful to request the services of the Justice Department's Position Classification and Pay Management Group, or the Office of Personnel Management's Agency Compliance and Evaluation Group. Both groups have expertise in performing classification studies and in developing cost estimates for alternative staffing practices.

Agency Comments/Action

The Department of Justice recognized that some cost savings could be effected. However, it does not believe that such savings warrant a change from the current proven system.

Appropriations

Forensic services - Department of Justice, Federal Bureau of Investigation

Appropriations Committee Issues

By phasing out its special examiners in favor of a civilan workforce, the FBI could reduce its spending. The Committees should monitor the action of the FBI on this issue.

DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION
EXECUTIVE OFFICE FOR U.S. ATTORNEYS

From Quantity to Quality: Changing FBI Emphasis on Interstate Property Crimes--A Supplement
(GGD-80-43(A), 8-14-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)

This supplement to an earlier GAO report contains the Department of Justice's comments on the GAO analysis. The Department supported the GAO recommendation to change the legislation but has taken issue with the remaining findings, conclusions, and recommendations. It gave no indication that substantial changes would be forthcoming in either prosecutive or investigative policies and practices. GAO believes that existing Federal policies and practices insure that the Federal Bureau of Investigation (FBI) will continue to handle many nonquality property crime matters without solution and/or prosecution. It will be duplicating the work of State/local law enforcement agencies contrary to the cause of improving relationships with such agencies. GAO believes that its original recommendations are still valid after evaluating the Department's comments.

Findings/Conclusions: The FBI has recognized that with its limited resources it could never adequately investigate all crimes within its jurisdiction. It implemented procedures in case workload to eliminate marginal investigations or matters not warranting Federal attention. To concentrate on quality cases, it must rely on State and local police and prosecutors. The program has not been effectively integrated into day-to-day operations of FBI field offices and U.S. attorneys' offices. Conflicting requirements and a lack of reliance on State/local assistance work to perpetuate the heavy load of low priority unproductive cases. Department of Justice officials disagree about the types of cases the FBI should be involved in from the outset and those that should be left to local authorities. In a GAO study of FBI field office operations, only 14 percent of the cases investigated resulted in the FBI recovering stolen property and 93 percent were not prosecuted. The FBI will not fully achieve a quality property crime caseload until U.S. attorneys' prosecutive policies and FBI investigative priorities are coordinated. Improved coordination between the FBI and State/local law enforcement agencies is needed to determine the approprate role of each in the initial investigation of property crimes. By concentrating resources on major interstate property thefts, the Government is much more likely to prosecute major property criminals and thieves and recover substantial amounts of stolen property.

Recommendations: The Attorney General should direct U.S. attorneys to change their prospective policies for property crimes to agree with FBI quality criteria. The Attorney General should require the FBI to: minimize its involvement in property crimes not warranting a Federal presence by developing guidelines that stress greater reliance on State and local law enforcement agencies; maximize its efforts against major interstate property crimes by more aggressively identifying and investigating top property criminals; and revise its quality criteria to exclude cases where Federal jurisdiction is uncertain. Congress should strike the reference to $5,000 from the statute governing the interstate transportation of stolen property so that Federal jurisdiction can be directed to those offenses where an expenditure of Federal resources would have the most impact on the Nation's property crime problem.

Agency Comments/Action

No action has been taken on the basis of the recommendations.

Appropriations

Salaries and expenses/criminal, security and other investigations - Department of Justice, Federal Bureau of Investigation

Salaries and expenses/U.S. attorneys - Department of Justice, Executive Office for U.S. attorneys

Appropriations Committee Issues

The $5,000 reference in the statute governing the interstate transportation of stolen property should be struck. Greater reliance on State and local law enforcement agencies needs to be stressed.

DEPARTMENT OF JUSTICE

OFFICE OF JUSTICE ASSISTANCE RESEARCH AND STATISTICS

Improved Grant Auditing and Resolution of Findings Could Save the Law Enforcement Assistance Administration Millions

(FGMSD-80-21, 2-19-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Omnibus Crime Control and Safe Streets Act of 1968. OMB Circular A-102. OMB Circular A-110.

A review was made of the audit practices of the Law Enforcement Assistance Administration (LEAA), including audits conducted by, and of, its grantees and subgrantees and the use and disposition of such audits. Top management at LEAA has known for years that its recipients are not being regularly audited and that many audits are not made to find out if recipients comply with Federal grant terms. Nonetheless, little decisive action has been taken to correct the problem, and as a result, the Government loses money that would otherwise be collected or saved.

Findings/Conclusions: The lack of adequate auditing guidelines and procedures at LEAA is costly in three ways: (1) grantees and subgrantees are keeping funds which they are not entitled to under applicable laws and regulations; (2) LEAA and some State planning agencies miss the opportunity to improve grant programs by delaying or foregoing needed corrective actions recommended by auditors; and (3) LEAA does not get full return on its expenses of the audit. Auditors repeatedly report the same deficiencies, indicating that recipients have not taken corrective action. Not only do delays occur in forwarding audit reports to program managers responsible for resolving the findings, but program managers procrastinate in acting on the findings. Furthermore, the LEAA resolution of some findings appears questionable. Instead of making collections, many findings were cleared based on promises of corrective actions or on certifications that questionable expenditures were proper. In one case, auditors identified over $5 million in improper or undocumented costs, and in relying on the grant recipient's promise to correct the deficiencies, LEAA program managers allowed the recipient to keep all but $12,867 of the questioned expenditures. A subsequent LEAA audit disclosed that the grant recipient had not corrected many of the previously identified weaknesses. Inadequate audit resolution procedures and practices were found at some State planning agencies as well, with LEAA auditors determining that 31 of the 47 agencies reviewed need to followup on audit findings.

Recommendations: The Attorney General should direct the LEAA Administrator to: develop a coherent and comprehensive policy for achieving adequate audit coverage of all its grant recipients; launch an all-out effort to have all major grant recipients audited within the next 2 years in accordance with this policy; issue guidelines for program managers to use in resolving audit findings; hold a person or persons in program management responsible for timely and proper resolution of findings; designate an official independent of program management and auditing to monitor the substance of audit findings and the propriety of resolutions; require the official to provide top management with quarterly reports showing the disposition of audit findings, including the age and amounts of unresolved findings and results of the findings closed during the period; require auditors to track open findings until all recommended improvements are made, the funds are recovered, the debt forgiven, or the findings are determined to be in error; require written decisions justifying why amounts shown to be due by the auditors' reports were not collected, with the decisions being reviewed for legality and endorsed by the legal official who performs the review; direct LEAA's Comptroller to provide positive accounting controls over collection of audit-related funds; and require program managers and auditors to systematically review the adequacy of State planning agency procedures and practices for issuing audit reports and resolving audit findings.

Agency Comments/Action

The Department of Justice and LEAA (now OJARS) have been aware of many of the problems in LEAA audit coverage of grant recipients and audit resolution system, and generally concurred with the recommendations. Their comments indicated that they have completed some improvements and are working on others to respond to the problems. They have been developing procedures to assure appropriate audit coverage of grant recipients. Also, OJARS is revising its audit resolution porcedures to be consistent with OMB Circular A-102 and the GAO report recommendations.

Appropriations

Ineffective audit practices - Department of Justice, Office of Justice Assistance and Research and Statistics

Appropriations Committee Issues

The Appropriations Committees should encourage the Department of Justice and OJARS to promptly make the procedural changes to strengthen auditing as the basic tool for preventing unauthorized expenditures and to see that congressional intent is carried out.

DEPARTMENT OF JUSTICE

OFFICE OF JUSTICE ASSISTANCE RESEARCH AND STATISTICS

States Are Funding Juvenile Justice Projects That Conform to Legislative Objectives

(GGD-80-40, 3-7-80)

Budget Function: Administration of Justice: Criminal Justice Activities (0754)
Legislative Authority: Juvenile Justice and Delinquency Prevention Act of 1974 (42 U.S.C. 5601).

The Office of Juvenile Justice and Delinquency Prevention of the Law Enforcement Assistance Administration (LEAA) has provided formula grants to the States to plan for and fund projects in the juvenile justice and delinquency prevention areas. The funds were appropriated under the Juvenile Justice and Delinquency Prevention Act. Pursuant to a congressional request, GAO reviewed the use of funds provided under the formula grant programs in seven States. The States under review had granted 64 percent, and had firm plans or commitments to grant an additional 27 percent, of their awards for fiscal years 1977, 1978, and 1979. Except for one, the States had returned only minimal amounts of unspent funds to LEAA.

Findings/Conclusions: The programs of the seven states under review were in accordance with the goals and objectives of the Juvenile Justice and Delinquency Prevention Act. The programs ranged from services to status offenders, delinquency prevention, alternative education, and efforts to divert juveniles from the formal juvenile justice system. Of 80 projects which GAO visited, all but 3 appeared to be operating generally as described in the grant applications. While complete financial audits were not performed, with two exceptions, projects were able to show that expenditures were made for approved purposes. None of the States maintained excessive cash balances at the State level, nor was this a major problem at the regional or project level. However, cash balances in excess of anticipated needs were present at five projects and regional planning units in two of the States.

Recommendations: The Attorney General should direct the Administrator of LEAA to provide more comprehensive information on the status of juvenile justice funds, and follow up on the States' efforts to correct the problems which GAO noted.

Agency Comments/Action

The Department of Justice has initiated action to implement the GAO recommendations.

Appropriations

Juvenile justice formula grants - Department of Justice, Office of Justice Assistance Research and Statistics

Appropriations Committee Issues

Committee issues include the proper use of resources.

DEPARTMENT OF LABOR

BUREAU OF INTERNATIONAL LABOR AFFAIRS
EMPLOYMENT AND TRAINING ADMINISTRATION

Restricting Trade Act Benefits to Import-Affected Workers Who Cannot Find a Job Can Save Millions

(HRD-80-11, 1-15-80)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: (P.L. 93-618; 19 U.S.C. 2101).

The worker adjustment assistance program provides weekly cash payments, training, and employment services to workers whose employment is affected by import competition. Workers whose jobs are adversely affected by import competition can receive benefits under the Trade Act of 1974: weekly cash allowances; employment services, including counseling, training, and job referral; and job search and relocation allowances.

Findings/Conclusions: Weekly cash payments have helped few workers adjust their changed economic conditions during their layoff because the payments were received by most in the form of a lump-sum after they had returned to work. Most workers indicated that they experienced no severe economic hardship as a result of their layoff and were able to rely on unemployment insurance benefits and other resources to meet their financial needs. Thus, most workers achieved the adjustment envisioned under the Trade Act without the cash assistance provided by it. However, some remained unemployed even after exhausting their unemployment insurance benefits. Few import-affected workers used employment services and job search and relation allowances because they were not aware the services were available to them, had little need for the services because they returned to work or expected to return to work for their former employer, or were willing to move to take advantage of another job in another community. Workers waited an average of 488 days after layoff before receiving cash benefits. This resulted from delays at virtually every stage in the benefit delivery process.

Recommendations: The Secretary of Labor should take a stronger and more active oversight role to assure that State employment security agencies: inform all import-affected workers of employment services available to them at the time they apply for assistance under the Trade Act; offer counseling to those who are unemployed at the time they apply for benefits to identify their employment service needs; and work with Comprehensive Employment and Training Act sponsors to place more emphasis on providing training. The Secretary of Labor should also: (1) require State employment security agencies to become more involved in precertification activities, particularly those, such as identifying potentially eligible applicants, which are aimed at reducing delays in benefit delivery; (2) provide additional precertification funding for those States which are willing to engage in the broad range of precertification activities suggested in Labor's guidelines; and (3) require State employment security agencies to make greater efforts to notify workers that their petition has been certified, and to encourage workers to file applications for benefits promptly. Congress should amend the Trade Act of 1974 to require that import-affected workers exhaust unemployment insurance benefits before receiving up to 52 weeks of cash payments under the Trade Act. Legislation should also be amended to provide that Trade Act benefits be continued at an amount comparable to that received under unemployment insurance, rather than 70 percent of a worker's average weekly gross wage as now prescribed. Congress should amend the Trade Act to: (1) eliminate the minimum work history and wage eligibility criteria and instead require that, to be eligible for adjustment assistance, workers be totally or partially laid off from import-affected employment on or after the date specified, and meet States' eligibility criteria for unemployment insurance; (2) replace complicated benefit calculation formula with a simplified method such as paying Trade Act weekly cash benefits in an amount equal to an individual's unemployment insurance amount.

Agency Comments/Action

In responding to this report in November 1979, Labor acknowledged a need to improve the delivery of program benefits as suggested in our recommendations. However, Labor did not comment on the merit of the recommendations for for legislative changes to the Trade Act. Labor believed that a more appropriate time to address the issues would be in 1981, when Congress considers renewal of the Acts adjustment assistance program.

Appropriations

Employment and training assistance - Department of Labor

Appropriations Committee Issues

The Committees should consider the issues raised in the recommendations.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Congress Should Scale Down Redwood Employee Program Benefits

(HRD-80-63, 7-8-80)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Regional Rail Reorganization Act of 1973 (P.L. 93-236). Trade Act of 1974 (P.L. 93-618). Extended Unemployment Compensation Act of 1970 (Federal-State) (P.L. 91-373). P.L. 90-545. P.L. 95-250.

In March 1978, when Congress added 48,000 acres to the Redwood National Park in northern California, it recognized that expansion of the park could adversely affect certain workers. Accordingly, the legislation also established the Redwood Employee Protection Program (REPP) which directed the Secretary of Labor to provide adversely affected workers with various forms of monetary and nonmonetary assistance. The law directed that laid off workers would receive benefits they would have received if they had not been laid off and that they be given benefits to assist in retraining and in obtaining employment outside the timber industry and the affected area. REPP was intended to assist only a relatively small group of workers in northern California. However, employees whose layoffs are not related to the 48,000 acre expansion of the park have qualified for benefits because the law presumes that layoffs within a specified period of time are related to park expansion.

Findings/Conclusions: The Department of Labor has not restricted the designation of affected employers to organizational units adversely affected by park expansion. An estimated 30 percent or more of the employees who have established program eligibility did so during temporary curtailments in their employment. Despite this increase in the number of eligible employees, some employees directly affected by park expansion have been denied program benefits due to legislative restrictions that prevented their employers from being certified as affected. Complex legislative requirements have caused administrative problems. The generous benefits have reduced the incentive to work and contributed to workers seeking layoffs in preference to staying on the job. Some provisions in the legislation have resulted in inconsistent and different treatment of employees in similar situations. Management deficiencies have hindered employee eligibility determinations and benefit entitlement processes; resulted in errors in benefit entitlements; and delayed employees' receipt of health, welfare, pension coverage, and retraining benefits. Authority and responsibility were not clearly defined for program components among groups involved. Timely guidance has not been provided to the California Employment Development Department, which is responsible for the daily administration of the program, nor have that department's procedures and controls been adequately evaluated. Health insurance benefits for most affected employees did not begin until 18 months after the program began, and pension coverge has not yet begun.

Recommendations: The Secretary of Labor should: develop criteria to restrict certification of affected employers to operations directly affected by park expansion; clarify the authority and responsibility of the various Labor groups involved with administering the program; provide guidance and direction to the California Employment Development Department on eligibility and benefit determination matters more promptly; evaluate the California Employment Development Department controls and procedures and take necessary action to insure that information supplied by employees and employers is routinely verified and that eligibility and benefit determinations and entitlement calculations are periodically checked; require that the California Employment Development Department adjust eligibility and benefit determinations affected by subsequent procedural changes and insure that benefit overpayments are collected; accelerate the implementation of health, welfare, and pension coverage; and define the level of technical and professional training that is reasonable and necessary to enhance an affected employee's prospects for obtaining suitable employment. Congress should amend the Redwood National Park Expansion Act of 1978 to: delete the conclusive presumption provision in section 203 of the law and require that the Secretary of Labor certify that layoffs are related to a decrease in operations caused by park expansion before program eligibility can be established; require Labor to identify program recipients whose eligibility has been established for reasons other than park expansion and terminate their eligibility for future benefits; and eliminate differences in eligibility requirements between union and nonunion employees.

Agency Comments/Action

Labor did not comment on the merits of the report recommendations to the Congress, but Labor generally agreed with the report recommendations to the Secretary of Labor regarding the administration of the program, and said it had already begun implementing most of them. However, Labor does not believe there is any opportunity for developing restrictive criteria to apply to the affected woods employees, nor does Labor believe such an effort would be compatible with the express language of the act. Concerning the need to clarify the authority and responsibility of the various Labor groups involved with administering the program, Labor said it did not concur that any formalized clarification effort was necessary or appropriate. GAO does not agree with Labor's position. Although Labor cannot be faulted on a legal basis for its approach to certifying affected woods employees, GAO believes the legislation permits a narrower interpretation and that a more restrictive approach would help ensure that only persons whose layoff is caused by park expansion receive program benefits. GAO also disagrees with Labor's position that clarification of authority and responsibility is not needed. Although a Secretary's order formalizing the delegation of authority and assignment of responsibility exists for the major Labor organizational components administering the Redwood Employee Protection Program, the GAO review indicated that implementation of the program has been hindered by confusion over the roles and functions of Labor staff and that clarification is needed to correct these problems. The California Employment Development Department characterized the report as thorough, and generally agreed with the findings. The Department, however, believed that tying program benefits more closely to the regular unemployment insurance program appeared to exceed the need to accomplish constructive reforms and suggested alternative solutions.

Appropriations

Federal unemployment benefits and allowances - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Congressional action is needed to amend Title II of the Redwood National Park Act of 1968 to restrict the Redwood Employee Protection Program to park-related layoffs. Labor should also develop criteria and procedures to improve program operations.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

The Employment and Training Administration Should Stop Using State Agencies To Pass Funds Through to Contractors

(HRD-80-109, 9-18-80)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Comprehensive Employment and Training Act of 1973.

Offices in the Department of Labor's Employment and Training Administration (ETA) arranged with the State of Nevada for nine pass through agreements to obtain services for several Labor activities. A pass through agreement is a procurement initiated and principally carried out by ETA, but entered into by a State and a contractor using Federal funds granted to the State. The work to be performed under the nine agreements varied, but it was to be utilized primarily at the regional or national level, rather than primarily benefiting Nevada's activities. Labor selected the contractors, negotiated the substantive aspects of the agreements, asked Nevada to enter into the agreements with the contractors, monitored work progress, and certified invoices submitted by the contractors.

Findings/Conclusions: For six of the agreements, Labor officials stated that they used the pass through arrangement because there were insufficient funds available, which they could obligate directly, to spend for the work. Instead, funds available under the Grants to States for Unemployment Insurance and Employment Services appropriation were used. According to Labor officials, under law these funds must be granted to States; Labor cannot obligate these funds directly to contractors. Therefore Labor used the funds by using the pass through arrangement. For two projects, Labor used the pass through arrangement because they lacked the staff and time to go through a formal procurement process. The remaining project used Comprehensive Employment and Training Act funds, which Labor could have used to contract directly for the work. Labor's view was that the pass through contracting method was justified because the work benefited the employment security system rather than merely affecting Federal operations. Although GAO does not question the legal basis for these awards, Labor should procure these services, when needed, directly. Labor's use of pass through agreements for achieving ETA goals does not ensure that the Federal Government's interests are protected. These agreements effectively circumvent the procurement standards and safeguards set forth to ensure effective use of Federal moneys.

Recommendations: The Secretary of Labor should: (1) discontinue using State agencies to enter into agreements that pass through funds to contractors for work having regional or nationwide application; and (2) where Labor has a continuing need to obtain the services for the kinds of activities discussed in this report, request sufficient funds from Congress to allow for procurement directly.

Appropriations

Employment and training assistance and grants to states for unemployment insurance and employment services - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

The Committees should determine if ETA requires additional appropriations to directly fund, subject to the Federal and Labor Procurement Regulations, projects of the kinds discussed in this report. The Committees should also be aware that Labor was using a State agency to enter into agreements with contractors for work that more immediately benefited Labor, rather than the State.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Job Corps Should Strengthen Eligibility Requirements and Fully Disclose Performance

(HRD-79-60, 7-9-79)

Budget Function: Education, Training, Employment and Social Services (0504)
Legislative Authority: Comprehensive Employment and Training Act of 1973.

To determine whether the Job Corps effectively enhances the employability of its target population, GAO reviewed data and visited some 12 Job Corps centers, selected recruitment and placement agencies, and other training programs serving the disadvantaged.

Findings/Conclusions: The Job Corps program has serious problems including the following: (1) little assurance exists that the Job Corps is serving only youths who need to be removed from their environment as the Congress intended; (2) inadequate criteria for determining a placement rate and questionable placement data allow the Corps to depict the program in a very favorable light, but the rate does not provide adequate information to properly assess effectiveness; and (3) based on initial steps taken to determine the Corps' long-term impact on earnings, graduates, while earning more than nongraduates, do not earn enough to break the poverty cycle.

Recommendations: The Secretary of Labor should establish specific guidelines in accordance with Congressional intent to enable recruiters to identify youths who need a residential program to successfully participate in training; monitor to see that reruiters properly determine eligibility and give applicants a full understanding of the program and information on what will be expected of them; if monitoring is ineffective, determine the feasibility of a uniform intake process to serve all Labor employment and training programs for youths; and explore the use of vocational skills aptitude testing as part of the recruiting process. Regarding placements, the Secretary should compute and report to the Congress additional placement information, including a placement rate based on the total number of terminees. The rate should be accompanied by analysis to distinguish between full- and part-time employment. He should revise the placement definintion to include requirements that a placement (1) be counted only for those who spend a minimum amount of time in Job Corps, (2) be made within a prescribed maximum amount of time following termination, and (3) be effective for a prescribed minimum amount of time. He should also require that Job Corps randomly validate reported placements. Furthermore, the Secretary should evaluate Job Corps' impact on terminees' long-term earnings.

Agency Comments/Action

Although Labor advised congressional committees that it agrees with most of the recommendations, it does not appear that Labor plans to establish specific eligibility guidelines. Unless such guidelines are established, eligibility determinations are not very meaningful, and Labor cannot demonstrate that Job Corps is serving only those needing this costly last resort program. Labor generally disagreed with our three-part recommendation to revise the placement definition. Until Labor changes the definition; however, the placement rate, a principal measure of program effectiveness, will continue to be overstated and misleading. No congressional or Agency action had been taken as of September 30, 1980.

Appropriations

Job Corps - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

To assure that program funds are spent in accordance with congressional intent, the Committee should require Labor to demonstrate, through tightened eligibility requirements, that Job Corps serves only youths who need to be removed from their environment. Also, when determining the proper funding level for Job Corps, the Committee should require Labor to portray its impact realistically through a revised placement definition.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Moving Participants From Public Service Employment Programs Into Unsubsidized Jobs Needs More Attention

(HRD-79-101, 10-12-79)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Comprehensive Employment and Training Act (29 U.S.C. 801). P.L. 95-524. H. Rept. 95-1124.

The public service employment (PSE) programs, funded by the Comprehensive Employment and Training Act (CETA) of 1973, are the largest federally financed employment and training programs. They are administered at the Federal level by the Department of Labor and at the local level by State or local governments, which are the prime sponsors. Each prime sponsor is assigned a Labor staff member, called the Federal representative, whose responsibilities include monitoring the sponsor's CETA programs and providing technical assistance to the sponsor. About $12 billion was spent for public service employment programs during fiscal years 1975 through 1978. A review was made of five prime sponsors' programs to move PSE participants into unsubsidized jobs. These sponsors, located in Connecticut, Ohio, Oklahoma, Texas, and Washington, spent about $116 million during fiscal year 1978.

Findings/Conclusions: During fiscal year 1978, about 575,000 persons left the PSE programs. Statistics reported to Labor show that about 35 percent of them were classified as having unsubsidized jobs when they left the programs. The review showed that CETA programs have had limited success in moving participants from public service employment jobs into unsubsidized employment. Many persons stay in the programs for a long time. The 1978 amendments to the Act provide a better framework for moving participants into unsubsidized jobs, but more improvements are needed. Labor needs to take a stronger and more active oversight role to assure that State and local governments effectively carry out transition efforts.

Recommendations: The Secretary of Labor should assure that all prime sponsors plan and carry out systematic approaches to move public service jobholders into unsubsidized jobs. The Secretary should take the following actions: (1) revise instructions for completing grant applications to require prime sponsors to address important aspects of transition that are not now covered; (2) approve only grant applications that adequately describe effective transition systems; (3) assure that employability plans are developed for participants; (4) assure that prime sponsors have developed placement methods and services that adequately consider private sector job opportunities as well as opportunities in the public sector; (5) issue guidance on methods for determining when participants should be moved into unsubsidized employment; (6) establish an effective monitoring effort aimed at assuring that prime sponsors fully implement both the transition provisions set forth in their grant applications and other transition requirements established by Labor; and (7) assess the adequacy of prime sponsors' systems for collecting transition performance data, and take corrective action necessary to assure that public service employment programs can be managed and evaluated on the basis of reliable and consistent information.

Agency Comments/Action

Labor generally concurred with the recommendations to move more participants out of public service employment programs into unsubsidized jobs. In its response, Labor either cited recent changes made to its regulations or grant instructions as evidence of corrective action or stated that the regulations or guidance in effect adequately addressed the recommendations.

Appropriations

Employment and training assistance - Department of Labor, Employment and Training Administration
Temporary employment assistance - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Notwithstanding Labor's general agreement with the recommendations, GAO has concerns as to whether or not the recommendations will be effectively implemented. GAO believes that (1) in some instances, Labor's regulations or guidance are too general to adequately address the recommendations, and (2) in other instances, where adequate regulations are in place, Labor needs to see that regulations are effectively implemented. The Appropriations Commitees should direct the Labor Department to strengthen its efforts towards more effective administration of the public service employment programs. If Labor cannot adequately demonstrate that its management of the programs has resulted in more attention to, and better success in, moving participants into unsubsidized jobs, the Appropriations Committees should consider drastically cutting the financial support to the program.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance - Inequities and Work Disincentives in the Current System

(HRD-79-79, 8-28-79)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Federal-State Extended Unemployment Act of 1970 (P.L. 91-373; 26 U.S.C. 3304n).

Enacted as a Federal-State program under the Social Security Act, unemployment insurance was established to provide a temporary income to unemployed workers and to help stabilize the economy by maintaining the purchasing power of laid-off workers. About 8 million people received $9.7 billion in compensation during 1978. Normally, States pay 26 weeks of compensation, but during periods of high unemployment, they pay additional weeks. Weekly compensation in most States is half of the recipient's average weekly gross wage before becoming unemployed, up to a maximum limit.

Findings/Conclusions: In interviews with 3,000 persons receiving unemployment compensation, GAO found that compensation, either alone or combined with other income, replaced an average 64 percent of the recipient's net income before unemployment; about 7 percent replaced over 100 percent. Persons who replaced over 75 percent of their net before unemployment collected compensation over 2 weeks longer than those who replaced 75 percent or less; were more apt to exhaust compensation; were most likely to have quit their most recent jobs; and generally held jobs similar to ones listed by the Employment Service. About 30 percent of these persons stated they had only a limited financial need to work. Factors limiting the financial incentive to work are: (1) increased taxes on workers' income; (2) supplementation of unemployment compensation by retirement income; (3) reduced expenses during unemployment; and (4) unequal computation of unemployment benefits.

Recommendations: Congress should consider the following as possible solutions to the inequities and disincentives in the program: including unemployment compensation in taxable income; reducing unemployment compensation by retirement income; and establishing a uniform methodology for determining compensation.

Agency Comments/Action

The Department of Labor (DOL) differed with the GAO views on the possible ways suggested for the Congress to modify the unemployment compensation program so that recipients will be treated more equitably and have a better financial incentive to work. DOL stated that the report contained major methodological weaknesses which lead directly to unwarranted policy recommendations. DOL did agree, in principle, that taxing unemployment compensation would be more equitable. However, DOL does not agree that unemployment compensation should be reduced by retirement income nor should the Congress establish a uniform methodology for determining compensation amounts. No congressional action had been taken as of September 30, 1980.

Appropriations

Employment and training assistance - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Congressional action is needed to reduce the inequities and work disincentives in the current unemployment compensation system. Implementation of uniform eligibility standards and methods for determining unemployment compensation benefit amounts would aid in achieving this goal.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance: Need To Reduce Unequal Treatment of Claimants and Improve Benefit Payment Controls and Tax Collections

(HRD-78-1, 4-5-78)

Budget Function: Income Security: Unemployment Insurance (0603)
Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (29 U.S.C. 49). Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373, title II; 26 U.S.C. 3304). Emergency Unemployment Compensation Act of 1974 (P.L. 93-572; 26 U.S.C. 3304). Tax Reduction Act of 1975. Emergency Unemployment Compensation Extension Act of 1977. Emergency Jobs and Unemployment Assistance Act of 1974. Federal Unemployment Tax Act. P.L. 94-12, title VII. P.L. 95-19. P.L. 93-567. 26 U.S.C. 3301. 29 U.S.C. 961.

Unemployment insurance primarily provides temporary protection for qualified workers who lose jobs, until they can either be rehired or find new employment. Although Federal involvement has increased, program administration varies among jurisdictions, resulting in unequal treatment of claimants and in substantial costs to the unemployment insurance program.

Findings/Conclusions: There are no uniform standards to determine who is eligible for unemployment insurance benefits and what amounts can be received. Greater effort is needed to assure that claimants look for work. Control of overpayments is weak, and improvements are needed to recover overpayments. Improvements are also needed in measuring payment timeliness and in tax collection efforts.

Recommendations: The Congress should establish uniform eligibility standards and methods for determining benefit amounts so that all claimants are treated equally. The Secretary of Labor should: disseminate results of new work test procedures which have been successful; encourage jurisdictions to establish special work test units; encourage jurisdictions to implement wage reporting to assure that data are available in all jurisdictions to identify overpayments through crossmatching; take appropriate steps to encourage jurisdictions to adopt the model crossmatch system; encourage jurisdictions to establish programs to detect overpayments to various groups of individuals, such as full-time students; encourage jurisdictions to develop and implement more aggressive techniques for recovering overpayments; revise regulations so that all jurisdictions measure timeliness and are evaluated in the same way; develop timeliness standards for payments made to ex-service personnel and Federal employees; encourage jurisdictions to adopt laws that provide agency officials with adequate authority to collect taxes; and require jurisdictions to develop and use more aggressive tax collection techniques.

Agency Comments/Action

Labor generally agreed with our recommendations and said that it would implement them. Labor disagreed, however, with our recommendation to Congress that it establish uniform eligibility standards and methods for determining benefit amounts so that all unemployment insurance claimants are treated equally. Labor said that although it believed some State law provisions produce inequitable results, it did not agree that the solution is uniform eligibility standards and methods of determining benefits amounts. No congressional or agency action had been taken as of September 30, 1980.

Appropriations

Grants to States for unemployment insurance and employment services - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Congressional action is needed to establish uniform eligibility standards and methods for determining unemployment insurance benefit amounts. Implementation of this recommendation would assure uniform eligibility of claimants. However, differences in benefit amounts payable among the States will continue. We believe that implementation of this recommendation would achieve a desirable goal.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Compensation for Federal Employee Injuries: It's Time To Rethink the Rules

(HRD-79-78, 8-22-79)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act.

Over the years, Department of Labor decisions have provided an expansive interpretation of what constitutes a compensable injury under the Federal Employees' Compensation Act. When an employee of the Federal Government is injured or killed on the job, the worker or survivors are entitled to benefits. The criteria for determining compensable injuries are not always clear. Uncertainties are developing over how far the Government's liability should extend.

Findings/Conclusions: Increased costs are caused by increased employee salaries, increasing costs of medical care, and inflation. Another basic cause is the expanding concept of a compensable injury. Broad definitions, inadequate guidelines on the work relatedness of diseases, and uncertainty about the causes of many diseases have expanded program coverage.

Recommendations: To aid the determinations of causal relationships, the Secretary of Labor should establish guidelines that have at least minimal factual and medical standards for developing and evaluating evidence, and for deciding whether an injury is compensable; determine whether specific guidelines can be established for cases of aggravation, or whether an alternative system for occupational diseases might be possible; and codify specific instructions on approved policies, procedures, and practices for determining causal relationships. To better understand the occupational disease problem and its effect, the Secretary should evaluate the Federal workers' compensation system for the number of claims, types of diseases, related cost, and other pertinent information; and for the potential effects of the occupational health problem on the system. Congress should review the Department of Labor's determinations of what constitutes a compensable injury, provide any needed guidance on the Government's liability, and review guidelines for causal relation. To better understand the guidelines' meaning and effect, Congress should enact legislation directing the Secretary of Labor to report the results of the guidelines' application and to document his report by specific references to cases.

Agency Comments/Action

In responding to this report in October 1979, Labor stated the actions it has taken in response to the recommendations. These actions included review of the need for guidelines for the development of occupational disease cases, plans to convene a panel to develop guidelines for aggravation, and improvements being made in the ADP system to aid in retrieval of information necessary for the recommended studies. No action was taken on the recommendation to Congress.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

Broad definitions of compensable injury, inadequate guidelines on the work relatedness of diseases, and uncertainty about the causes of many diseases have expanded program coverage and increased its costs.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

The Davis-Bacon Act Should Be Repealed

(HRD-79-18, 4-27-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Davis-Bacon Act (Wage Rates) (40 U.S.C. 276a). 40 U.S.C. 276(c). Walsh-Healey Act (Government Contracts) (41 U.S.C. 35 et seq.). Miller Act (Public Building Contracts) (40 U.S.C. 270). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Contract Work Hours Standard Act (40 U.S.C. 327). Service Contract Act of 1965 (41 U.S.C. 351). Administrative Procedure Act (5 U.S.C. 55 et seq.). (P.L. 91-129; 83 Stat. 269). P.L. 95-585. OMB Circular A-102.

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings in excess of $2,000 to which the United States is a party or shares the financing must state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages are those determined by the Secretary of Labor to be prevailing for laborers employed on projects of a similar character in the area in which the work is to be performed. The Act was intended to discourage nonlocal contractors from successfully bidding on Government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure. In 1977 about $172.5 billion was spent on new public and private construction projects, but only $37.8 billion was for direct Federal or Federally assisted construction spent by State and local agencies and involved about 22 percent of the Nation's 3.8 million construction workers. The remaining $134.7 billion was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act.

Findings/Conclusions: The significant changes in the Nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor (DOL) has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. A review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in the attempt by DOL to develop and issue wage rates based on prevailing rates. The review of 30 Federal or Federally assisted projects, costing an estimated $25.9 million, showed that the majority of the rates issued by DOL were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where the DOL rates were lower than those prevailing locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When the DOL rates were higher than those prevailing locally, it was found that nonlocal contractors worked on most of the projects, indicating that the higher rates may have discouraged local contractors from bidding. In addition, the weekly payroll reporting requirement resulted in unnecessary contractor costs estimated at $189.1 million for 1977.

Recommendations: Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act for the following reasons: (1) significantly increased costs have resulted to the Federal Government; (2) excessive wage determination rates have inflated construction costs and disturbed local wage scales; and (3) the fact that contractors tend to pay prevailing rates when DOL determinations are too low, thus negating the intent of the Act. Congress should also repeal the provisions in the 77 statutes related to the Davis-Bacon Act.

Appropriations

Labor standards - Department of Labor, Employment Standards Administration
Construction - Department of Housing and Urban Development
Military construction and all other approporations that authorize direct Federal and Federally assisted construction activities subject to the Davis-Bacon Act

Appropriations Committee Issues

The Davis-Bacon Act results in unnecessary construction and administrative costs of several hundred million dollars annually on Federal and Federally assisted construction projects; therefore, the Davis-Bacon Act should be repealed.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

How To Improve Administration of the Federal Employees' Compensation Benefits Program

(MWD-75-23, 3-13-75)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

The Department of Labor uses an Employees' Compensation Fund to pay benefits on behalf of Federal employees of various Government agencies, instrumentalities, and other organizations (referred to here as agencies) for disability or death due to injury or disease sustained in performing their duties. Each agency, however, must reimburse the Fund through Labor for benefit payments made. Certain agencies not wholly dependent on annual appropriations from the Congress are required by law to pay an additional amount for their share of the cost of administration.

Findings/Conclusions: GAO reported to the Congress that administrative costs could be reduced if agencies receiving appropriated funds were not required by the Federal Employees' Compensation Act to reimburse the Fund. In addition, because they are not specifically enumerated in the law, certain agencies not wholly dependent upon annual appropriations were not billed their fair share of the Fund's administrative costs.

Recommendations: GAO recommended that Labor propose legislation to the Congress to have those agencies which should be required by law to pay but which cannot now be legally billed specifically enumerated in the act. GAO suggested that the Congress consider amending the Federal Employees' Compensation Act to (1) make the fair share surcharge applicable to agencies identified by Labor and (2) either eliminate or strengthen the chargeback process for agencies dependent on appropriated funds.

Agency Comments/Action

The Department of Labor advised congressional committees that it was attempting to identify all agencies which should be required to pay their fair share, and if such an ultimate determination can be made, would submit to Congress proposed legislative amendments to accomplish such. The Department has taken no action on eliminating the chargeback provision. Further study of the issue is in process.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

The Department of Labor is unable to obtain a fair share of Compensation Fund administrative costs from certain agencies. Administrative costs could be reduced if agencies receiving appropriated funds were not required by the act to reimburse the Fund.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Improvements Still Needed in Administering the Department Of Labor's Compensation Benefits for Injured Federal Employees.

(HRD-78-119, 6-28-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

The Federal Employees' Compensation Act, as amended, provides for paying compensation benefits for the disability or death of Federal civilian employees injured or killed while performing their duties. These benefits include compensation for loss of wages, dollar awards for bodily impairment, medical care for an injury or disease, rehabilitation services, and compensation for survivors.

Findings/Conclusions: Although the number of civilian employees in the Government has remained fairly constant, from fiscal year 1970 through fiscal year 1977, injuries reported by employees increased by 72.1 percent; claims increased by 70.3 percent; persons drawing compensation for extended periods increased by 90 percent; and benefits paid increased by 315.1 percent. In about 41 percent of the 233 cases reviewed, the Office of Worker Compensation Programs (OWCP) awarded benefits without adequately establishing a causal relationship between the employee's disability or death and his or her employment. Many benefits were awarded without adequate supporting medical evidence, supporting medical rationale, or resolution of conflicting medical evidence. Other factors contributing to OWCP's improper determination of benefits involved a lack of onsite investigations and personal contact and a lack of agency appeal rights. District offices visited did not systematically review the condition and status of injured employees who received benefits for extended periods.

Recommendations: The Secretary of Labor should instruct all officials and employees of OWCP that they are responsible for making claims determinations that are equitable to the employee, the Federal Government, and the taxpayers; and their responsibilities require that benefits be denied in all cases in which adequate medical and other evidence are not provided establishing that the employee's injury was work related. The OWCP should: make onsite investigations of all claims in which causal relationship is not conclusively shown, place as much emphasis on decisions to approve as those to deny benefits, and install a management information system. The Director of the Office of Management and Budget should consider placing specific monitoring and vocational rehabilitation responsibilities in the employing agencies. The Congress should amend the Act to place in the employing agencies the authority to appeal any finding of causal relation which is not consistent with or supported by available evidence.

Agency Comments/Action

In responding to this report in May 1979, the Department of Labor stated that for the past 6 years the Federal Employees' Compensation Act program has had serious problems in administration and management. However, for more than 3 years the present administration has been taking significant steps to eliminate these problems. These steps closely parallel the actions recommended in this report. The Department did not comment on the recommendation to the Congress.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

Claims for benefits are being approved without adequate evidence that the disability or death was work related. The quality of Labor's claims determinations would be improved if employing agencies were given the right to appeal Labor's decisions.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Multiple Problems With the 1974 Amendments to the Federal Employees' Compensation Act

(HRD-79-80, 6-11-79)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101).

The number of lost-time injury claims filed by Federal workers increased sharply following legislative changes in 1974, which allowed employees' pay to continue uninterrupted for 45 days after a traumatic injury and gave them free choice of a physician.

Findings/Conclusions: Removal of a previously required waiting period has encouraged employees to file claims for minor and frivolous injuries and for injuries of short duration. A random selection of 410 continuation-of-pay (COP) claims showed that, based on the duration of the injuries and on other available factors, as many as 46 percent of all claims might have been eliminated by a 3-day waiting period. Lacking agency controls, the free-choice-of-physician provision has contributed to COP abuse. The Department of Labor (DOL) has not provided employing agencies with sufficient authority to carry out their responsibility for managing injury claims; and the degree of management varies widely among agencies. A large backlog of claims in DOL district offices has hindered the COP program; while short-cuts taken to try to control the volume of claims has allowed erroneous and unsupported claims to get through the system.

Recommendations: The Secretary of Labor should actively encourage employing agencies to develop programs for working with employees and their physicians to determine the best resolution of a claim and the length and extent of the disability. The Secretary of Labor should require the Assistant Secretary for Employment Standards to instruct the Office of Workers' Compensation Programs to: require district office claims examiners to obtain sufficient evidence for all COP claims before rendering final decisions, and to assist agencies in establishing uniform policies for dealing with COP. In controversial claims, which should be given priority adjudication, agencies must be given the authority to controvert and withhold COP until employees have provided sufficient medical evidence to substantiate their claims; or, when the employee refuses to return to work on a suitable light-duty assignment in accordance with the attending physician's diagnosis. Congress should require that the 3-day waiting period for traumatic injuries be applied before the payment of COP, rather than 45 days later; and provide employing agencies with the authority to require an employee to submit to a second medical examination by a Federal medical officer or a physician designated by the Secretary of Labor when there is a question about the initial diagnosis or the resulting length of disability.

Agency Comments/Action

In responding to this report in August 1979, the Department of Labor stated that the Administration is considering legislative proposals to amend the Act, which will address many of the problems to which the report is directed. These proposals have not yet been formally introduced.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

The 1974 amendments to the act have caused a sharp increase in lost-time injury claims and compensation costs to the taxpayer.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION
OFFICE OF WORKERS' COMPENSATION PROGRAMS

Followup on Department of Labor's Actions on GAO's July 1977 Report on Administration of the Black Lung Benefits Program

(HRD-80-111, 9-15-80)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Coal Mine Health and Safety Act of 1969 (Federal). Black Lung Benefits Reform Act of 1977.

GAO made recommendations to the Department of Labor in 1977 pertaining to its administration of the black lung benefits program. A review has been made on the Labor actions to reduce the backlog of black lung claims, and on the GAO 1977 recommendations. The 1977 report noted that Labor was processing claims slowly and that the claims backlog was increasing. At that time, it was recommended that Labor: (1) allocate adequate resources and staff to effectively and efficiently carry out its responsibilities; (2) review and revise its claims processing procedures to reduce the delays between processing steps; (3) establish criteria on the timeliness of completing the informal hearing process; (4) determine the feasibility of having all X-rays re-read so that claimants whose X-rays are initially interpreted as negative for black lung are given every opportunity to qualify for benefits; and (5) establish an effective program to respond promptly to claimant inquiries on the status of their claims and to provide for more direct communications between the Labor national office and the field offices after the claim is filed.

Findings/Conclusions: The review shows that Labor has acted on the GAO recommendations. To help improve the administration of the black lung benefits program, Labor established a decentralized organization to provide onsite service to new claimants and expedite claims processing. Labor could eliminate its large backlog by late calender year 1981. In response to GAO recommendations, Labor has: (1) allocated enough resources and staff to significantly reduce the large claims backlog; (2) taken several actions to expedite claims and reduce the claims backlog awaiting initial decisions; (3) established additional timeframes for completing the informal hearing process, and established the Branch of Pre-Hearing and Review to improve the transition of contested claims from the informal to formal hearing process; (4) required X-ray re-readings to determine whether the X-ray was of sufficient quality for determining black lung; and (5) established a decentralized organization with field stations assisting claimants and answering questions about claims. Labor has also developed a computerized black lung information system and placed terminals in each district office, and has acted to provide more direct and effective communication between its national office and districts.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

The Department of Labor has taken actions to reduce its backlog of black lung cases.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION
OFFICE OF WORKERS' COMPENSATION PROGRAMS

To Provide Proper Compensation for Hearing Impairments, the Labor Department Should Change Its Criteria
(HRD-78-67, 6-1-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101). Administrative Procedure Act (5 U.S.C. 551; 5 U.S.C. 554).

Millions of American workers have been exposed to occupational noise levels which may result in hearing impairment. Federal civilian employees are covered by the Federal Employees' Compensation Act which is administered by the Office of Workers' Compensation Programs (OWCP) in the Department of Labor. Between 1969 and 1976, about 36,000 claims for hearing impairment compensation were filed by Federal civilian employees for a potential liability exceeding $185 million.

Findings/Conclusions: Most of this liability was due to Department of Labor modifications in 1969 and 1973 of a generally accepted hearing impairment formula developed by the American Academy of Ophthalmology and Otolaryngology (AAOO) and endorsed by the American Medical Association. The Act itself does not specify the criteria to be used in determining the extent of an employee's permanent impairment. It specifies that only the permanent portion of an impairment which must have been proximately caused by employment qualified for a scheduled award. These factors are often inadequately established and result in considerable overcompensation. While OWCP regulations require that compensation be provided for the full degree of impairment if the condition was aggravated by the occupational environment, agency officials have expressed concern as to whether the employer should be liable for the portion of impairment that existed before employment.

Recommendations: The Secretary of Labor should have the OWCP immediately adopt the AAOO formula for determining hearing impairment. Any future changes in the hearing impairment formula should be based on appropriate scientific research and advice from other Government agencies and scientific and medical organizations. The OWCP should employ noise-exposure level standards recommended by the National Institute for Occupational Safety and Health as the basis for determining occupational relationship to noise-induced hearing impairment; and it should require the use of testing procedures which exclude temporary hearing loss and exaggerated responses in establishing degrees of hearing impairment.

Agency Comments/Action

Responding to this report in January 1979, the Department of Labor stated it has taken a number of important measures related to the fundamental issues addressed in this report. Labor stated that the AAOO was in the process of revising its formula, and Labor was in the process of contracting for an extensive hearing impairment research project. Labor believed that the wise course of action would be to await the results of Labor's planned research project and the AAOO actions before considering changes to the formula. The AAOO has since revised its formula and, during the week of September 1979, Labor awarded a contract to scientifically study the hearing impairment formula. This study is still ongoing. GAO believes that Labor should give a higher priority to its research and studies of occupational diseases and establish goals for the timely implementation of procedures resulting from its research and studies.

Appropriations

Special benefits - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

A more justifiable basis should be used in awarding compensation for hearing impairment.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION
WAGE AND HOUR DIVISION

Service Contract Act Should Not Apply to Service Employees of ADP and High-Technology Companies

(HRD-80-102, 9-16-80)

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505)
Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Walsh-Healy Act (Government Contracts) (41 U.S.C. 35 et seq.). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Davis-Bacon Act (Wage Rates). Communications Act of 1934. Classification Act (5 U.S.C. 5102(c)(7)). Truth in Negotiations Act (Military Procurement) (P.L. 87-653). 29 C.F.R. 4.132. 29 C.F.R. 4.141. 29 C.F.R. 541. P.L. 91-379. 5 U.S.C. 1082(7).

The Service Contract Act of 1965 protects workers' wages on Federal contracts when the contracts' principal purpose is to provide services in the United States using service employees. Minimum wages and fringe benefits must be based on rates the Secretary of Labor determines as prevailing for service employees in the locality. The Department of Labor notified the General Services Administration (GSA) that the maintenance and repair services specifications of all Federal contracts for the purchase or rental of supplies or equipment were subject to the Act. Soon thereafter, several major automatic data processing (ADP) and other equipment manufacturers announced their refusal to accept any Government contract subject to the Act. Labor later issued an interim, nationwide wage determination covering ADP maintenance and repair services which accepted currently paid wages and fringe benefits as prevailing for such services. Nevertheless, major ADP and other equipment manufacturers continued to reject Government contracts subject to the Act. Labor then developed a proposed average entrance-level wage rate that could be paid to the industry's service technicians subject to the Act. Labor's attorneys raised serious legal and policy questions concerning use of a nationwide entrance-level wage rate, so Labor shelved the rate and issued wage determinations that, in effect, extend and expand the interim determination while Labor officials continue to study the matter.

Findings/Conclusions: Labor's decision could seriously affect maintenance and repair of the Government's computers, many of which are critical to national defense and security. GAO believes Labor's position is not supported by the Act's language and legislative history, Labor's regulations, or its administrative manual. The Act was not intended to cover maintenance services related to commercial products acquired by the Government. ADP, high-technology, and other commercial product-support service contracts, where Government sales represent a relatively small portion of a company's total sales, do not have the same characteristics or incentives for contractors to deliberately pay low wages to successfully bid on Government contracts. The industries' argument, that the Act's application to such services is not needed, has merit. Industry compliance would be counterproductive and costly. The administrative burdens and operating costs of each corporation would be increased. Merit pay systems and staff assignment practices would be disrupted. The application of the Act could also have an inflationary impact on the industries' wage rates.

Recommendations: Pending such action by Congress, the Secretary of Labor should temporarily exempt from the Act's coverage certain contracts and contract specifications for ADP and other high-technology commercial product-support services. Congress should amend the Service Contract Act to make it clear that the Act excludes coverage for ADP and other high-technology commercial product-support services, that is, services the Government procures based on established market prices of commercial services sold in substantial quantities to the public.

Appropriations

Salaries and expenses - Department of Labor, Employment Standards Administration

Appropriations Committee Issues

If Labor continues to impose its ruling on ADP and other high-technology companies, maintenance and repair of the Government's computers could be seriously affected. Labor should temporarily exempt contracts and contract specifications for ADP and other high-technology commercial product services from the Act's coverage.

DEPARTMENT OF LABOR

LABOR MANAGEMENT SERVICES ADMINISTRATION

Funding of State and Local Government Pension Plans: A National Problem
(HRD-79-66, 8-30-79)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001). National League of Cities v. Usery, 426 U.S. 833 (1976).

Congress is considering establishing Federal standards for State and local government pension plans similar to those imposed on private plans by the Employee Retirement Income Security Act of 1974. The act generally provides that the minimum standard for pension funding by private employers be an annual contribution for normal costs plus the amount needed to amortize current unfunded liabilities in 40 equal annual installments. Public pensions are becoming a large financial burden on State and local governments, and that burden will increase in the future. Many jurisdictions do not systematically fund retirement benefits accruing to their employees.

Findings/Conclusions: Many State and local government pension plans are not funded on a sound actuarial basis because they are not setting aside sufficient funds to provide for estimated future benefits. Billions of dollars in unfunded liabilities have accumulated, and unless remedial steps are taken, these liabilities will increase. For the 72 State and local government pension plans reviewed, 53 did not receive large enough contributions to satisfy the act's funding standards. To meet the standard, many of the plans would have to increase annual contributions by more than 100 percent. Pension plan funding to the act standard would have a serious initial impact on some jurisdictions. But doing nothing will eventually have an even more serious impact. Pension reform at the State and local levels is moving slowly, and the prospects for significant improvement in the foreseeable future are not bright. It is clear that, to protect the pension benefits earned by public employees and to avert fiscal disaster, State and local governments should fund the normal or current cost of their pension plans on an annual basis and amortize the plans' unfunded liabilities. Although sponsoring governments are responsible for sound funding of State and local government plans, the Federal Government has a substantial interest in these pension plans. Many jurisdictions have increasingly relied on Federal grant funds and revenue sharing to help meet pension plan costs. These plans directly affect the continued well-being and security of millions of State and local government employees and their dependents. It might be in the national interest for the Congress to assure, through legislation, the long-term financial stability of these pension plans through sound funding standards. But the Federal Government's authority to regulate State and local government plans has not been resolved.

Recommendations: The Congress should closely monitor actions taken by the State and local governments to improve the funding of their pension plans to determine whether and at what point congressional action may be necessary in the national interest to prevent fiscal disaster and to protect the rights of employees and their dependents.

Agency Comments/Action

On February 13, 1980, H.R. 6525 was introduced to provide for pension reform for State and local public employee retirement systems. The bill would impose reporting and disclosure requirements which would provide the means for implementing the GAO recommendation. The consensus among State and local governments, Federal agencies, and other interested parties who commented on the report was that adequately funding public pension plans is a serious problem; however, there is no clear agreement on what the solution should be. Many believe that any funding standard for public plans should be less demanding than the standard imposed on private plans. There was general opposition to Federal involvement in establishing a funding standard for State and local government pension plans. Most officials argue that the Federal Government has not dealt adequately with its own pension funding problems, as evidenced by the poorly funded Social Security system and the pension plans for Federal personnel.

Appropriations

Salaries and expenses - Department of Labor, Labor Management Services Adiministration

Appropriations Committee Issues

The Committees should closely monitor actions taken by State and local governments to improve funding of their pension plans and determine if any congressional action is necessary to protect the rights of employees and their dependents.

DEPARTMENT OF STATE

Evaluation of U.S. Efforts To Promote Nuclear Non-Proliferation Treaty

(ID-80-41, 7-31-80)

Budget Function: International Affairs: Foreign Information and Exchange Activities (0153)
Legislative Authority: Nuclear Non-Proliferation Act of 1978 (42 U.S.C. 2153). 15 C.F.R. 373. P.L. 96-280.

In August 1980, the second conference of party states to the Treaty on the Non-Proliferation of Nuclear Weapons, usually referred to as the Non-Proliferation Treaty (NPT), will be held to review the operation of the Treaty. Of the 114 countries party to the Treaty in July 1980, five had signed but not yet ratified it. However, 46 countries have neither signed nor ratified the Treaty, including nuclear weapon states and advanced and rapidly advancing non-nuclear weapon states. A review was undertaken to determine why these countries have not become party to the NPT and what the United States has done to encourage them to come under the Treaty.

Findings/Conclusions: The reasons given by nonparty states for not coming under the NPT include: claims that the Treaty discriminates against non-nuclear weapon states; concerns about national security; and suspicions that joining the NPT would adversely affect their peaceful nuclear programs and activities. These countries point out that although non-nuclear weapon states are required to relinquish forever their option to develop or acquire nuclear weapons, NPT parties need only to pursue negotiations in good faith toward nuclear disarmament. The non-nuclear weapon states also claim that the nuclear weapon superpowers have accomplished little toward the disarmament goals of the NPT, and point out that nuclear weapon state parties are not required to place any of their facilities under international safeguards. At the same time, non-nuclear weapon states are required to place all of their facilities and special nuclear materials under the safeguards system of the International Atomic Energy Agency (IAEA). The United States encourages countries to become party to the NPT through direct and indirect diplomatic initiatives and general incentives. The United States has entered into an agreement with the IAEA to place its peaceful nuclear activities under IAEA safeguards to demonstrate that safeguards would not undermine nuclear programs. It has also established a technical assistance program for parties to the NPT and affirmed its willingness to finance appropriate nuclear projects in countries meeting U.S. nonproliferation requirements.

Recommendations: The Secretary of State should determine, to the extent practicable, whether voluntary contributions provided through IAEA technical assistance programs by the United States are achieving intended objectives and whether the funding levels for these contributions are appropriately established.

Agency Comments/Action

The Department of State advised that it had no problem with the recommendation that an assessment be made to determine whether the NPT-preference programs are effective and appropriately funded. However, the Department expressed concern over the suggestion that the United States consider designating a larger share of its voluntary cash contributions to the IAEA for the exclusive use of NPT party states if the assessments proposed were to show that the technical assistance programs are effective in encouraging NPT adherence. The Arms Control and Disarmament Agency said the GAO report provides a generally good summary of the relevant issues and U.S. activities.

Appropriations

Foreign assistance and related programs - Department of State, Agency for International Development

Appropriations Committee Issues

A comprehensive assessment should show how U.S. voluntary contributions provided through IAEA technical assistance programs have served as an inducement to nations to become party to the NPT. In addition to determining how well such contributions are achieving the intended objectives, the assessment should be helpful in considering future levels of funding for such contributions.

DEPARTMENT OF STATE

Implementing the Panama Canal Treaty of 1977--Good Planning but Many Issues Remain
(ID-80-30, 5-15-80)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151)
Legislative Authority: Panama Canal Act of 1979 (P.L. 96-70). Panama Canal Treaty. B-197052 (1980).

Since early 1978, U.S. Government officials in Panama, former Canal Zone officials, and representatives of Panama have been preparing for the orderly and efficient implementation of the Panama Canal Treaty. Two principles have guided the planning activities: (1) the tactical capabilities of the military forces to defend the Panama Canal will not be degraded, and (2) the present quality and level of all current services and support to U.S. citizens in the area will be sustained to the maximum extent possible. Within this framework, the United States and Panama have made good progress in implementing the changes mandated by the Panama Canal Treaty. The transfer to Panama of various port and railroad activities, certain health and sanitation services, vehicle licensing, and utility billing and price setting has proceeded smoothly. In addition, commercial retail operations were satisfactorily transferred to Panama for operation by private interests. Substantial progress has been made in implementing the important personnel changes required by the Treaty or by the Panama Canal Act of 1979. Nevertheless, certain basic unresolved issues and problems hinder full implementation of the Treaty.

Findings/Conclusions: Although progress has been made in terminating U.S. territorial jurisdiction in the former Canal Zone, issues requiring further attention and resolution include: assurance of procedural guarantees; impact of Panamanian laws on terms and conditions for business and nonprofit activities; taxation of U.S. contractors; customs reporting; and land-use licensing matters. Problems hindering the transfer of property and public services include Panama's problems in determining a method of maintenance for specific shipyard facilities and in developing procedures to verify the costs of providing certain public services. Several unresolved issues could adversely affect the cost and quality of postal or health services. The issues pertain to U.S. and Panamanian disagreement over airport terminal payments for mail delivery; lack of final agreement on mail privileges for nonprofit activities; lack of criteria and guidance on certain health care billing matters; and lack of military exchange, commissary, and housing privileges for Panamanian health care professionals. Other issues of concern include whether the: (1) system of preference will result in a real increase in Panamanian employment; (2) new minimum pay levels and annual increases will create a situation whereby two U.S. Government employees performing the same duties will earn different wages; (3) new Panama Area Wage Base will equalize the wage levels in Panama and not jeopardize Panama's income derived from the Canal; and (4) cost of living allowance can be computed to recognize individual circumstances.

Recommendations: The Secretaries of State and Defense and the Administrator of the Panama Canal Commission should closely monitor the extent to which basic unresolved issues and problems impede full treaty implementation and, through concerted action by the principal U.S. Government agencies and by Panama as appropriate, work to resolve these matters without delay. Such actions should include encouraging Panama to: take the necessary steps to insure that procedural guarantees are assured for persons specified in the treaty; modify existing laws that adversely affect the terms and conditions for operating business and nonprofit activities in the former Canal Zone; and develop procedures for verifying the costs incurred in providing treaty-specified public services.

Agency Comments/Action

The agencies involved were very supportive of the report and of most of the conclusions and recommendations. Actions to address many of the unresolved issues have been started or are planned by the the responsible agencies. The Panama Canal Commission and the Department of Defense, however, disagree with full State Department representation on the coordinating and joint committees for implementation of the Treaty.

Appropriations

Department of State

Appropriations Committee Issues

Possible issues are treaty related costs for implementation of the Panama Canal Treaty of 1977. This presents a problem as to the definition of what is or is not a treaty cost. It is possible that a lack of a definition could result in a "hidden item" in the budget submission. The Committees will need to consider whether it should be included as a direct appropriation.

DEPARTMENT OF STATE

State Department Should Improve Foreign National Pay Setting

(FPCD-78-81, 1-8-79)

Budget Function: International Affairs: Conduct of Foreign Affairs (0152)
Legislative Authority: Foreign Service Act of 1946 (P.L. 86-723). P.L. 93-273. P.L. 77-411. B-179700 (1974). 56 Stat. 13.

Federal agencies overseas employ about 178,000 foreign citizens at a cost of about $1.5 billion annually. Legislation provides that compensation for foreign national employees will be based on locally prevailing wage rates that are consistent with the public interest. In adopting foreign national labor provisions, Congress expected U.S. agencies in a particular locale to establish uniform wage rates and employment practices. GAO visited Germany, Italy, Japan, Korea, and the Philippines to determine if employees were paid local rates and to what extent U.S. Government agencies coordinate compensation plans.

Findings/Conclusions: The Departments of State and Defense vary in the compensation they establish for their foreign employees, and in general, the Department of State pays more than the Department of Defense. State Department officials contended the differences were justified because of different duties and responsibilities. GAO found little to support that job demands were consistently or appreciably greater in one agency or the other. State Department wage survey techniques generally provided a valid base for applying total comparability principles to periodically adjust wages. Nonetheless, wage setting would be improved if: (1) embassy salary schedules reflected average private sector rates, (2) the true costs of retirement and separation pay benefits were included in comparability adjustments, (3) surveyed jobs were representative of the embassy's work force, and (4) State Department wage survey guidance was followed more closely. Despite State Department urgings to adopt local retirement plans, most of the Department's overseas posts still enroll foreign national employees in the U.S. civil service retirement system. GAO believes the disadvantages of enrolling foreign employees in civil service far outweigh the advantages. Some of the disadvantages are: (1) annuities stated in dollars but paid in local currency and thus subject to windfall gains or losses from currency fluctuations, (2) annuities adjusted according to domestic cost-of-living indexes, and (3) minimum annuities clearly excessive in low-wage countries such as the Philippines.

Recommendations: The Secretary of State should improve coordination of foreign national pay systems and wage schedules with the Department of Defense and other overseas agencies to the extent that: (1) joint wage surveys and uniform pay schedules are adopted in countries where both agencies directly employ foreign nationals, and (2) Defense wage rates are included in State Department wage surveys where Defense operates under indirect hire arrangements. The Secretary should also monitor overseas wage setting more closely to insure that missions: (1) have salary schedules that reflect private sector average pay or average pay ranges, (2) include the cost of severance in pay adjustments, (3) survey private sector jobs that represent the mission's work force as closely as possible, and (4) correct other wage setting errors such as those which occurred in Korea and Italy. Finally, the Secretary of State should replace civil service retirement with prevailing local plans.

Agency Comments/Action

The Department of State disagreed or partially disagreed with certain of the recommendations and agreed to implement others. The Department's authorizing bills for fiscal years 1980 and 1981 express the sense of Congress that the Secretary of State should implement the GAO recommendations, with slight modification, to the extent possible.

Appropriations

Salaries and expenses - Department of State

Appropriations Committee Issues

Cost of foreign national employees will continue to be a problem for the forseeable future.

DEPARTMENT OF STATE

ARMS CONTROL AND DISARMAMENT AGENCY

Coordination of Federal Arms Control Research Program To Be Improved
(ID-80-6, 3-17-80)

Budget Function: International Affairs: Conduct of Foreign Affairs (0152)
Legislative Authority: Arms Control and Disarmament Act (22 U.S.C. 2551 et seq.). Executive Order 11044.

The efforts of the Arms Control and Disarmament Agency (ACDA) to coordinate arms control research sponsored by other Federal agencies and the management of ACDA external research program were studied. The Director of ACDA is the principal advisor to the Secretary of State, the National Security Council, and the President on arms control and disarmament matters. Congress clearly intended that ACDA spearhead the Government's arms control research program through conducting and coordinating research and providing advice relating to arms control and disarmament policy formulation; managing U.S. participation in international arms control negotiations; disseminating and coordinating public information about arms control and disarmament; and directing, as needed, U.S. participation in international control systems that may result from U.S. arms control or disarmament activities. The ACDA external research program is designed to advance U.S. arms control objectives by focusing on issues under active or imminent negotiation and by providing a base for policy planning.

Findings/Conclusions: The ACDA has not carried out its coordination function as mandated by law. During the past 5 years, ACDA has not: (1) developed a Governmentwide comprehensive, balanced plan or program of research on arms control and disarmament; (2) advised other agencies as to their roles in arms control research; (3) maintained a comprehensive inventory of arms control research performed or sponsored by other Federal agencies; (4) sought agencies' assessments of their arms control research programs; and (5) evaluated arms control research done by or for other Government agencies. Agency officials contend there are mitigating circumstances in their failure to perform the required coordination. They reason that frequent interactions with other agencies are sufficient to keep abreast of other research and to keep others informed of ACDA research. They believe their ability to realistically accomplish the required coordination is questionable, and that compliance with the law would be very expensive and time-consuming beyond ACDA capabilities. They also doubt whether all Federal research with arms control implications should be coordinated by ACDA. Recently, ACDA has been withholding substantial portions of its research funds in reserve to meet potential shortfalls in operating funds. ACDA personnel were not systematically identifying research relevant to proposed projects, disseminating research results, or evaluating research products.

Recommendations: The Director, ACDA, should coordinate all Federal arms control research in compliance with the Arms Control and Disarmament Act and Executive Order 11044. If such coordination is not feasible or appropriate, the Director should urge the Congress to amend the Act and seek to have the Executive Order revised or rescinded.

Agency Comments/Action

The Director of ACDA commented that coordination of arms control research as intended by the Congress and mandated in the Act did exist by virtue of interactions and communications with other agencies. According to the Agency, while amending the Act is not necessary, some of the Executive order requirements did envisage a more prominent role for the Agency than has proven necessary. To the extent adequate coordination may be lacking, the Director said a remedy would be sought. He stated that the affected agencies and the Office of Management and Budget would meet to ensure that the ACDA legislated coordination requirements would be met in a practical and workable manner. Concerning the Agency's own research program, the Director generally agreed that problems did exist in the areas that GAO noted. He reiterated that a new External Research Council had been established to improve the management and direction of the Agency's research program and that certain corrective actions were being initiated.

Appropriations

Arms control and disarmament activities - Arms control and Disarmament Agency

Appropriations Committee Issues

To adequately fulfill its mandated coordination responsibilities, ACDA must first work with the other agencies involved to establish a consensus as to the scope of research to be coordinated. In addition, the Agency should seek relief from those coordination requirements it believes to be unnecessary. Without knowing the scope of research to be coordinated, the effort needed to fulfill this responsibility cannot be adequately determined. In recent years, large portions of ACDA's own funds allocated for research have been held in reserve to meet potential shortfalls in operating funds and then made available late in the fiscal year, resulting in a flurry of yearend research contract activities. ACDA commented that the new External Research Council will instill more order into the process and will assure in the future that there will not be a substantial obligation near the end of the budget year.

DEPARTMENT OF THE INTERIOR

Federal Land Acquisitions by Condemnation--Opportunities To Reduce Delays and Costs
(CED-80-54, 5-14-80)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Colorado River Storage Project Act (43 U.S.C. 620g). Declaration of Taking Act (Eminent Domain) (40 U.S.C. 258). Federal Magistrates Act. General Condemnation Act (Public Buildings) (40 U.S.C. 257). National Parks and Recreation Act of 1978 (P.L. 95-625). Real Property Acquisition Policy Act of 1970 (P.L. 91-646). Wild and Scenic Rivers Act (16 U.S.C. 1277). 28 C.F.R. 50.11. 44 Fed. Reg. 24790. P.L. 91-664. P.L. 95-42. P.L. 95-250. P.L. 96-82. Fed. R. Civ. P. 71a. H. Doc. 96-59. H. Rept. 94-1335. S. Rept. 96-74. S. Rept. 96-173. United States v. Blankinship, 543 F.2d 1272 (9th Cir. 1976). B-176942 (1972). 16 U.S.C. 831x. 28 U.S.C. 2072. 28 U.S.C. 2401. 28 U.S.C. 2409a. 28 U.S.C. 2501. 39 U.S.C. 401. 42 U.S.C. 4651.

The Federal Government has a backlog of over 20,000 court cases in which it seeks to acquire by condemnation private land for public use. At the close of fiscal year 1978, the land in question was appraised at $481 million. However, actual acquisition costs will be much higher because of administrative costs, awards or settlements in excess of Government appraisals, and long delays in court. The large caseload arises from the many sizable land acquisition programs for such purposes as recreation, environmental and wildlife protection, civil and military works, and various other programs authorized by Congress. Moreover, sharply rising real estate prices and administrative expenses make it particularly desirable to expedite acquisitions.
Findings/Conclusions: A major problem associated with the heavy caseload is the understaffing in U.S. Attorneys' offices, the Department of Justice's Land Acquisition Section, and land acquisition agencies. In 1978, the equivalent of only 37 full-time Assistant U.S. Attorneys were assigned to condemnation cases, and most of them on a part-time basis. To alleviate this and other problems associated with the heavy caseload, many agencies are focusing on solutions to the manpower shortages and other contributing factors. While the proposed remedial steps are sound, the overall goal, to shorten the average processing time for condemnation cases to 1 year, may be overly optimistic.
Recommendations: The Attorney General should: (1) provide for coordinating the computerized caseload tracking system with the Department of Justice's client agents; (2) supplement the published standards for preparing title evidence in land acquisitions by identifying acceptable alternative procedures that would expedite obtaining, or lowering the costs of, needed title services, and by encouraging minimum coverage of title insurance in appropriate cases; (3) arrange for a Government-wide study of the most desirable procedures for obtaining title evidence needed in Federal land acquisition programs; and (4) assist client agencies in establishing guidelines for making reliable estimates of the costs of litigating condemnation cases. Additionally, the heads of Federal land acquisition agencies should: (1) review their needs for current data on the status of condemnation cases and coordinate the needed data with the computerized caseload tracking system being developed by the Department of Justice; (2) use greater flexibility in determining whether to accept landowners' counteroffers or proceed with litigation, giving proper recognition to the estimated costs of trial; and (3) require staffs charged with land acquisition responsibilities to seek improved communications with landowners. Moreover, the Attorney General and the heads of land acquisition agencies should emphasize to their staffs: (1) the importance of making high-quality administrative reviews of appraisal reports in compliance with Government-wide standards and agency directives; (2) the need for timely updating of appraisals or reappraisals, (3) the need for carefully selecting staff or contract appraisers best qualified to testify in court and for using special expert witnesses who can strengthen the Government's case; and (4) the need for reviewing classification standards and position descriptions for the grade levels of professional staff appraisers and determining whether adjustments are needed to attract and retain qualified personnel. Further, the Secretary of the Interior should have the National Park Service strengthen its appraisal report reviews, and the Judicial Conference of the United States should initiate action to amend Rule 71A of the Federal Rules of Civil Procedure. Congress should amend the Declaration of Taking Act to allow interest on amounts finally awarded in excess of the amount deposited into the court that will compensate landowners in a more equitable manner than the rate of 6 percent per annum now authorized by the statute.

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

The Appropriations Committees should review Interiors' land acquisition practices by condemnation to ensure that such practices do not result in excess costs to the Federal Government.

DEPARTMENT OF THE INTERIOR

Interior Programs for Assessing Mineral Resources on Federal Lands Need Improvements and Acceleration

(EMD-78-83, 7-27-78)

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (0302)
Legislative Authority: Federal Land Policy and Management Act of 1976. National Forest Management Act of 1976. 43 U.S.C. 31. 30 U.S.C. 1.

Information about reserves of mineral deposits is essential for developing Government policies on resources and land use. The Department of the Interior's Geological Survey is the main Government information source on domestic mineral resources. The Bureau of Land Management (BLM) and the Forest Service, the two largest Federal land managing agencies, expect to spend about $200 million preparing their land use plans through fiscal year 1986.
Findings/Conclusions: Unless Survey programs are accelerated, many of these plans will not be able to incorporate Survey information on possible mineral resources on Federal lands, and additional costs could be incurred if revisions to the plans are necessary. Survey programs could: help the Congress decide which Federal lands should be established as wilderness areas, supply information important in carrying out a potential leasing program for mining nonfuel minerals on Federal lands, and benefit the domestic mining industry. The following shortcomings should be corrected: survey lacks a structured, formal plan for completing its mineral resource assessment; it has not consulted Federal and State land managing agencies or the mining industry to determine their information needs; it could benefit from establishing a committee of leading experts who have a direct interest in the mineral industry; and more coordination is needed in land use planning schedules and mineral assessment schedules. The Survey did not always have adequate scientific expertise to work on the programs.
Recommendations: The Secretary of the Interior should establish an advisory committee or other suitable mechanism to help Survey prepare a long-range plan for completing the mineral resource assessment and submit to the appropriate congressional committees a detailed plan and funding proposal for completing the assessment in the minimum feasible time. The Secretaries of Agriculture and the Interior should direct the Forest Service and BLM to coordinate their land management planning schedules to the extent feasible to meet timely objectives to use Survey mineral data and provide in their budget justification or completed land management planning those actions taken or progress achieved in their use of Survey mineral data.

Agency Comments/Action

The Department of the Interior stated it had taken actions which could improve the planning and coordination of the programs. However, it also said that the fiscal year 1981 funding request for the programs, about $19 million, was cut by $1.5 million by the Office of Management and Budget, and this cut was not restored in the fiscal year 1982 budget. The budget cuts resulted from the President's recent efforts to balance the budget. This cut in funding could impact on the progress of these programs. The Department has indicated that under maximum acceleration, the appraisals would take 20 years to complete.

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

The Appropriation Committees should inquire closely into the levels of funding given these programs to assure that they are completed in an expeditious time period.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Bureau of Indian Affairs Violated Antideficiency Act in 1977

(FGMSD-80-88, 10-2-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Antideficiency Act (31 U.S.C. 665 et seq.). 31 U.S.C. 712a.

A Bureau of Indian Affairs violation of the Antideficiency Act in fiscal year 1977 was an overobligation of at least $186,000, but perhaps as much as $13 million. It was not reported to the Office of Management and Budget and to Congress as required by law, and because problems permitting the violation prevailed throughout most of fiscal 1978, the Bureau may have had another Antideficiency Act violation that year. The Antideficiency Act was violated when the Bureau exceeded its fiscal 1977 obligational authority for the operation of Indian programs appropriation.

Findings/Conclusions: In attempting to alleviate the overobligation and avoid requesting a deficiency appropriation, the Bureau made a series of questionable adjustments. It dropped hundreds of valid obligations from the records and transferred many of them to the fiscal 1978 appropriation. An unsupported adjustment of $300,000 was made so that the Bureau's report on obligation status would show an unexpended balance. In this way, many unrecorded but valid field offices' obligations found after yearend could be included in the Bureau's records without showing an overobligation. The Bureau should have sought a deficiency appropriation to cover obligations for these costs. The actions to shift the fund shortages unnecessarily increased the Bureau's administrative costs. Two factors contributed to the Bureau's violation of the Antideficiency Act: (1) its budgeting and fiscal reporting systems did not contain controls to keep obligations within amounts specified in appropriation acts, and (2) extensive delays in recording obligations made it necessary to record numerous valid obligations after the books were initially closed for fiscal 1977. Both fund control problems have persisted for years in the Bureau's financial system. Improper measures to prevent overobligations may have resulted.

Recommendations: The Secretary of the Interior should: make sure the violation is reported as soon as practicable to the President and Congress as required by 31 U.S.C. 665(i)(2); have the review completed on the current year closing to make certain that fund shortages related to the violation are not shifted to future years' appropriations; ensure that the Bureau redesigns its accounting system to include appropriate fund controls, and submits the revised system to GAO for approval as soon as practicable; and require the Bureau to use its planned interim approach to validate fund availability until the redesigned system is operational.

Agency Comments/Action

No agency comments were received as of October 15, 1980.

Appropriations

Operation of Indian programs - Department of the Interior, Bureau of Indian Affairs

Appropriations Committee Issues

The Committees should make sure the violation is reported as required by law and should establish whether the Bureau of Indian Affairs has corrected system deficiencies that allowed the violation to develop.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Alternatives for Achieving Greater Equities in Federal Land Payment Programs

(PAD-79-64, 9-25-79)

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (0851)
Legislative Authority: P.L. 94-565.

A variety of land payment programs have evolved over the years to compensate States and counties for tax exemptions on Federal land within their jurisdiction. GAO reviewed programs in eight Western States where 80 percent of the Federal land payments are made and found many inequities and inconsistencies.

Findings/Conclusions: The basic aim of Congress in enacting these programs was to compensate States and counties for lost tax revenues and the economic burdens of tax-exempt Federal land. As laws were designed and implemented, most programs paid States and counties a percentage of the annual receipts generated from the public lands, rather than on the basis of equivalent taxes that would have been paid if the land were privately owned. Because the payment bears no relationship to tax equivalency, States and counties do not receive equitable payments. Many States and counties are overpaid compared to tax equivalency, while others receive little or no payment. The Public Land Law Commission recommended in 1970 that counties receive one payment rather than a number of payments under the various receipt-sharing programs. Congress decided not to repeal the Federal land payment programs. Nevertheless, some counties that already received more in land payments than they would have in taxes for the same land received an additional bonus. In revising Federal land payments laws, Congress may find it useful to consider alternatives to the type of receipt-sharing approach now used, such as fee-per-acre, other types of revenue sharing, fee for service, and tax equivalency.

Recommendations: To make corrections in past payments, the Bureau of Land Management should take steps to validate receipt-sharing deductions for fiscal year 1977 and 1978 payment computations to all States except for the eight States GAO reviewed. GAO has already given the Bureau correct data on those States. Congress should change the laws to require payments on a tax equivalency basis. If Congress decides to continue receipt-sharing payments and acreage payments under Public Law 94-565, it should take action to correct several weaknesses and amend the law so that: payments under the law are disassociated from receipt-sharing payments; or deductions for receipt-sharing payments are allocated to counties where receipts were earned; or deductions for receipt-sharing payments are allocated to counties based on population or some other allocation method.

Agency Comments/Action

GAO notified the Bureau of Land Management (BLM) of errors in the 1977 and 1978 public land payments. BLM recognized these errors and took action to correct underpayments totaling $12.6 million. BLM also acted to recover overpayments of more than $1 million. Adjustments represent a recurring savings because BLM has corrected its data base. In addition, the House passed a payments-in-lieu-of taxes appropriation for fiscal year 1981 which was $23 million below the 1980 appropriation. Of the $81 million appropriated, $400,000 was made available for administrative expenses so that BLM could comply with GAO recommendations to review and test the validity of certified State reports on funds passed through to local governments. The House Committee on Appropriations strongly recommended that the authorizing committee review this program and develop legislation that will address the issues raised in our report.

Appropriations

Payments in lieu of taxes - Department of the Interior, Bureau of Land Management

Appropriations Committee Issues

Committee issues include: the loss of congressional control over budget totals (the States can change the amounts received); and improper payments of Federal funds (the Bureau of Land Management makes payments on State-provided data that are known to be unreliable).

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Oil and Gas Royalty Collections--Serious Financial Management Problems Need Congressional Attention

(FGMSD-79-24, 4-13-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a). Department of Energy Organization Act (91 Stat. 578). Mineral Leasing Act of 1920. 10 C.F.R. 212. 25 C.F.R. 171. 25 C.F.R. 172. 30 C.F.R. 225. 43 C.F.R. 3106. 30 U.S.C. 181. 30 U.S.C. 187. 30 U.S.C. 192. 30 U.S.C. 275. 43 U.S.C. 29.

A significant portion of domestically produced oil and natural gas comes from Federal and Indian lands leased to the private sector. During 1977, the Geological Survey collected about $1.2 billion in royalties on these lands from the oil and gas industry. Extensive congressional interest in Government debt collection procedures prompted a review of the system and related controls used by the agency in collecting these royalties.

Findings/Conclusions: Serious deficiencies in the way the Geological Survey maintained records of amounts due the Government under the leases resulted in losses of millions of dollars. Statements of lease accounts contained numerous errors and omissions. Failure to perform an adequate number of lease account reconciliations and audits meant that the agency had to rely on unverified data from the oil and gas industry to compute and collect royalties due. Lack of interest charge provisions resulted in delayed receipt of payments. Understaffing was a chronic condition. Many factors beyond the control of the agency contributed to the breakdown in the collection system.

Recommendations: For the short range, the Secretary of the Interior should require the Director of the Geological Survey to: inform field personnel of the need to determine the reasonableness of inventory and sales data shown on production reports, making accounting personnel aware of any discrepancies; include on lease account records codes identifying reasons for account adjustments on a lease; provide for and charge appropriate administrative fees and interest on delinquent accounts; and encourage companies with computer capabilities to provide direct tape input of report data. For the long range, the Director should: modify or redesign the collection system to reduce the volume of reports submitted by the industry for processing; consider lessee dependability and prior reporting and paying record in selecting accounts for reconciliation and audit; provide for cross-service audit agreements with the Department of Energy; and designate one office as responsible for establishing agencywide collection policies.

Agency Comments/Action

The Department of the Interior agreed with the report and is developing a completely new royalty collection system. This system is being reviewed and evaluated by agency officials. However, this system has not been fully developed and will not be implemented for some time. Until this system is effectively implemented, the Department of the Interior does not have adequate assurance that it is collecting all that is owed by the oil and gas industry. The Geological Survey is in the process of designing a new royalty management system. They do not expect the system to be fully implemented and operating until fiscal 1986. Geological Survey has estimated that an amendment to the President's fiscal year 1981 Budget of $9.3 million and 120 positions will be required.

Appropriations

Energy and minerals - Department of the Interior, Geological Survey

Appropriations Committee Issues

The Appropriations Committees should review the status of actions taken to modify or redesign the collection system.

DEPARTMENT OF THE INTERIOR

HERITAGE CONSERVATION AND RECREATION SERVICE

Use of Other Federal Grant-In-Aid Programs To Meet the Local Matching Requirement of the Land and Water Conservation Fund

(CED-80-23, 11-1-79)

Budget Function: Natural Resources and Environment: Recreational Resources (0303)
Legislative Authority: Housing and Community Development Act of 1974. Land and Water Conservation Fund Act of 1965 (P.L. 88-578).

The Land and Water Conservation Fund Act of 1965 (LWCF) provides grants to States and local governments for planning, acquiring, and developing outdoor recreation projects. The Act restricts LWCF grants to 50 percent of the project cost, requires the State or local government to finance the remaining share, and prohibits the use of other Federal grant funds to satisfy the local matching share requirement. However, the Housing and Community Development Act of 1974 (HUD) subsequently authorized the use of its grants to pay the required local match of other community development programs, thereby authorizing an exception to the LWCF Act.

Findings/Conclusions: Thus far, it appears that 500 projects have received financial assistance from other Federal programs, and Federal contributions have amounted to about 79 percent of the projects' costs.

Recommendations: In order to fully evaluate the local matching share requirements initially envisioned for LWCF projects, the appropriate congressional committees should review the LWCF Act restriction and grant program authorizations such as those contained in the HUD Act.

Appropriations

General and special funds - Department of the Interior
Fish and wildlife and parks - Heritage Conservation and Recreation Service

Appropriations Committee Issues

The Appropriations Committees should review the LWCF Act restriction on the use of Federal funds to meet the local matching share.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Better Management of National Park Concessions Can Improve Services Provided to the Public

(CED-80-102, 7-31-80)

Budget Function: Natural Resources and Environment: Recreational Resources (0303)
Legislative Authority: 16 U.S.C. 1. 16 U.S.C. 20.

Lodging, food, transportation, and other services are provided to visitors to national parks by concession operators. The Park Service has allowed concessioners to operate facilities with major safety deficiencies and has not taken adequate steps to make sure that deficiencies were corrected. Evaluations and followup inspections of concessioner performance are not made as required. Without inspections, the Park Service cannot be certain that visitors are receiving satisfactory service and does not have a firm basis for assigning concessioners an annual performance rating. The annual rating is used as a basis for determining if concessioners should be allowed to continue operating. The Park Service has developed a comprehensive system to determine whether rates charged the public for the use of park facilities are fair and reasonable, but the system has not been implemented nationwide. The prescribed procedures do not cover all concessioner services, and the quality of facilities and services may not be adequately considered during the rate approval process. Legislation requires that rates charged the public for concession services be comparable to those charged for similar facilities and services outside the park. The Park Service does not always ensure that rates are fair and reasonable. They have established a task force to resolve problems with the new rate approval system. Franchise fees are paid by concessioners for the privileges granted under their contracts. The Park Service has not established the proper criteria to ensure that the rates are proper. Personnel lack the financial backgrounds needed to set rates effectively. Concessioners that no longer want to provide the services authorized by their contracts are permitted to transfer their operations to other qualified parties. The concessioner determines who is qualified to operate the facility or service and it is difficult for the Park Service to turn down the transfer. The only remedy the Park Service has for controlling the quality of service of the concessioners is often terminating the contract and purchasing the possessory interest, a time consuming and expensive procedure. Granting preferential rights to concessioners for contract renewal and for providing new and additional services eliminates or discourages competition and the buildup of large possessory interests.

Findings/Conclusions: Concessioner performance evaluation would be more effective if visitors' opinions and comments were used in appraising concessioner performance. Existing concessioners already have a competitive advantage over others who want to operate in the parks, so they do not need additional legal advantages. By using single concessioners to provide the services in a park, the Park Service has limited its options for requiring improvement without serously disrupting service to the public. As a result, the Park Service does not take necessary corrective actions. Concession rates are not always studied, justified, or documented before approval; and the quality of facilities is given little or no consideration in approving the rates.

Recommendations: The Secretary of the Interior should require the National Park Service (NPS) Director to take action to ensure that: park visitors and concession employees are adequately protected against health and safety deficiencies at concession operations; and all required health and safety inspections are conducted in a timely manner and that followups are made to assure that deficiencies have been corrected. If these measures do not improve conditions, the concessioner's contract or permit should be terminated. NPS safety personnel should receive the training necessary to identify safety deficiencies and a qualified sanitarian should be available to conduct required health inspections. The NPS Director should be required to develop and implement procedures to obtain visitor comments and opinions on the quality of concession facilities and services to be used in determining if concessioners are performing satisfactorily. He should assure that evaluation inspections and followups are carried out and provide additional staff where necessary, developing a training program to implement the Concessioner Evaluation Program. The NPS Director should expand the responsibilities of the task force established to develop alternatives to resolve the problems which were identified with the concessioner comparability study procedures. He should provide adequate training to personnel responsible for implementing concessioner rate approval procedures. The Director should develop a new franchise fee rate system that reflects the value of privileges granted under concession contracts, develop criteria and procedures to help concessions management staff make appropriate adjustments to franchise fee rates, and supply the field staff with individuals that have the financial background and experience needed to set equitable franchise fee rates. He should emphasize the need to adequately document action taken on requests for convention and group use of concession facilities, assure that the field offices follow environmental guidelines, and establish a firm policy to permit concessioners to participate in NPS planning processes only during the public participation phase. Congress should finance construction of needed facilities to accommodate park visitors whenever possible. Congress should amend the Concessions Policy Act to allow possessory interest only in those instances where no other alternative is available and then only if possessory interest is valued by the Government at no more than the original cost to construct or improve the facility less amortization over a period no longer than the estimated useful life of the facility or the term of the contract, whichever is shorter; or if the contract is terminated by the National Park Service or the concessioner and the facility has not been fully amortized: (1) satisfactory concessioners should be permitted to sell their possessory interest to third parties at the best price obtainable, provided the operation is to be continued, however, the original cost should continue to be amortized and at the end of the amortization period the possessory interest would be extinguished and the Government would have total ownership; and (2) unsatisfactory concessioners should be required to sell their remaining possessory interest to the Goverment at no more than its unamortized value. It should also amend the Act to eliminate the right of preference for contract renewal.

Agency Comments/Action

No comments had been received as of the date that this report was prepared.

Appropriations

Operation and maintenance - National Park Service

Appropriations Committee Issues

The Committees should determine whether the Federal Government should fund future construction facilities operated by park concessioners.

DEPARTMENT OF THE INTERIOR

OFFICE OF THE INSPECTOR GENERAL

Improving Interior's Internal Auditing and Investigating Activities--Inspector General Faces Many Problems

(CED-80-4, 10-24-79)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Inspector General Act of 1978. National Security Act Amendments of 1949 (63 Stat. 578). Budget and Accounting Procedures Act of 1950 (31 U.S.C. 2 et seq.).

The Department of the Interior's new Inspector General faces many problems in carrying out independent and effective audits and investigations.

Findings/Conclusions: Audit activities could be more effective if management would give more emphasis to audit needs and be more responsive to audit findings and recommendations. Interior has not implemented effective policies and procedures to ensure that bureaus and offices take timely, appropriate corrective actions on audit findings. In some cases, management either has not responded promptly or has simply ignored auditors' advice. Appropriate staff and funds have not been allocated to audit and investigate activities to provide coverage to Interior's programs.

Recommendations: The Secretary of the Interior should: direct managers at all levels to be more cooperative with the Inspector General and more responsive to audit findings and recommendations; revise Interior's budget so that the budget for the Inspector General can be considered independently of other departmental activities and set out as a separate appropriation; allocate the resources necessary to implement the Inspector General Act; and eliminate reimbursable funding of audit activities and find alternative ways to conduct external contract and grant audits and overhead rate negotiations so that more internal audits can be performed with available staff. The Secretary should also direct the Inspector General to: revise the audit planning process to ensure that periodic, independent assessments are made of all departmental programs and services to identify areas where potential management weaknesses exist; establish an appropriate information and reporting system to provide meaningful, periodic reports which will keep all management levels informed of the status of ongoing audits and actions needed or taken on report findings and recommendations; and strengthen its report followup procedures to ensure that audit report findings and recommendations are not closed out without appropriate assurances that management has taken action.

Agency Comments/Action

The Department has eliminated the reimbursable funding of audit activities and has expanded the investigative staff of 15. They are also in the process of improving the planning, information, reporting, and followup systems.

Appropriations

General and special funds - Department of the Interior, Office of the Secretary

Appropriations Committee Issues

The Appropriations Committees should give further consideration of providing for additional investigative staff.

DEPARTMENT OF THE INTERIOR

WATER AND POWER RESOURCES SERVICE

Selected Water Sales Contracts

(CED-80-69, 3-25-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Fryingpan-Arkansas Project Act.

A review was conducted of the adequacy of western water supplies to support energy and mineral development. Water marketing practices were briefly analyzed on selected water sales contracts. These contracts are administered by the Water and Power Resources Service and are short-term contracts. In an effort to recover a portion of the project costs associated with the water sales contracts, Resources Service project authorizations require that project users reimburse the U.S. Treasury for costs associated with certain uses such as irrigation, municipal and industrial water, or power. Most of the other project costs are classified as nonreimbursable and are financed from the U.S. Treasury.

Findings/Conclusions: In each of the three contracts reviewed, the Resources Service charged water rates that were too low to guarantee expeditious Federal cost recovery. Unfortunately, when water intermediaries or users do not pay an appropriate share of Federal project costs, others must make up the difference. Since the water consumers had already paid higher prices than the Resources Service charged, higher Federal rates would probably have had little, if any, impact on them. Low rates were not justified when the Resources Service had the authority to base the sales price of municipal and industrial water on the local market price of that water as established by comparison with other water sales or the subsequent resale of the Federal project water. Thus there was a need for additional monitoring of water marketing policies to assure adequate water prices, project repayment, and regional and project consistency.

Recommendations: The Secretary of the Interior should require the Commissioner, Water and Power Resources Service, to: (1) set water prices at an amount that will at least recover all reimbursable costs when additional contracts for Fontenelle water are issued; (2) include in the Fryingpan-Arkansas contract a requirement that some revenue from the sale of return flows be repaid to the U.S. Treasury; and (3) use prices that recognize the current value of water when new North Platte River municipal and industrial water contracts are issued.

Agency Comments/Action

The agency disagreed with the recommendation that water prices be set at an amount that will at least cover all reimbursable costs when additional contracts for Fontenelle water are issued. It states that reclamation already requires that all reimbursable costs be covered and that it is complying with the law. It stated that it will have to look at the legal implications before addressing the second recommendation to include in the Fryingpan-Arkansas contract a requirement that some revenue from the sale of return flows be repaid to the U.S. Treasury. Further, it implemented the third recommendation to use prices that recognize the current value of water when it renegotiated the Glendo Reservoir contract.

Appropriations

Construction - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

Because of the substantial reimbursement to the Federal Treasury, the Committee should see that the GAO recommendations are carried out.

DEPARTMENT OF THE INTERIOR

WATER AND POWER RESOURCES SERVICE

Water Supply Should Not Be an Obstacle To Meeting Energy Development Goals

(CED-80-30, 1-24-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: National Environmental Policy Act of 1969. Federal Water Pollution Control Act Amendments of 1972. Environmental Defense Fund, Inc. v. Morton, 420 F. Supp. 1037 (1976). Environmental Defense Fund, Inc. v. Andrus, 596 F.2d 848 (9th Cir. 1979).

Alternative energy technologies, such as oil shale development, coal gasification, geothermal power generation, coal liquifaction, and coal slurry lines were heralded as key contributors to the Nation's energy independence and were expected to consume lots of water. Consequently, many reports predicted that the Nation's quest for energy and mineral independence will stimulate a prolonged thirst for water and will virtually exhaust all unused water in the mineral-rich, water-short West. However, recent evidence indicates that these predictions are unfounded or outdated and that adequate water is available for energy development through at least the year 2000.

Findings/Conclusions: Slower growth of energy use and increased reuse of water have reduced the need to divert water from other uses. New production techniques and experience have demonstrated that individual plant requirements are as much as 50 percent less than anticipated. Demand for Federal project water by energy developers has fallen off, leaving reservoirs with undelivered and apparently unwanted water. Uncertainties exist about the extent of energy development, the future of reclamation projects, environmental requirements, reserved water, and project development delays. However, these uncertainties only limit the number of sites where development can occur. Since water requirements are modest and water supplies are large and scattered, water supply problems in one location will just result in new site selection. One new technology, transportation of coal through slurry pipelines, offers the promise of actually decreasing water consumption in water-short areas. The most common sources for additional water for energy development probably will be development of new storage facilities, procurement of water rights, or procurement of water stored in Federal reservoirs. Federal reservoirs could provide much of the supply needed for development and that would mean additional revenue which would speed repayment of Federal costs for building the projects without the environmental, social, and political problems implicit in new construction.

Recommendations: The Secretary of the Interior should: direct the Bureau of Reclamation to immediately begin preparation of environmental impact statements for the two Yellowstone Basin reservoirs; require similar environmental impact statements for other reservoirs whose marketing programs are threatened; update, improve, and establish unit water consumption estimates based upon more recent analyses of water requirements; and update and improve energy production estimates for electricity and synthetic fuels.

Agency Comments/Action

The Water and Power Resources Service concurred with each recommendation in the report. The Service has initiated environmental impact statements for the Yellowtail and Boysen reservoirs.

Appropriations

Operations and maintenance - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

The Committees should assure that the Water and Power Resources Service has implemented the recommendations of this report.

DEPARTMENT OF THE TREASURY

Electronic Funds Transfer--Its Potential for Improving Cash Management in Government

(FGMSD-80-80, 9-19-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: P.L. 95-147.

Electronic funds transfer (EFT) technology is being increasingly used in government and industry to replace checks for sending and receiving money. The use of EFT in the Federal Government is expected to increase the Government's opportunities for realizing interest savings. Funds which flow faster into the Treasury's interest-earning tax and loan accounts at banks and other financial depositories begin earning interest sooner. In addition, funds which flow faster into the Treasury's accounts at the Federal Reserve can also begin earning income sooner.

Findings/Conclusions: However, EFT has only limited ability to affect borrowing decisions. Although it can make funds available a few days earlier, borrowing decisions are generally insensitive to short-term changes in the timing of receipts. The overriding consideration in the Treasury's borrowing decisions is debt management, not cash management. Faster EFT receipts, though, can sometimes reduce the amount borrowed. This can occur when the aggregate of such receipts effectively raises the monthly low points of the Treasury's projected cash balances. To avoid a shortage of cash, borrowing decisions tend to focus on these low points, which normally occur around midmonth and are created by the timing differences in Government disbursements and receipts. For EFT to have a more positive influence on borrowing decisions, the faster flow must be tied into the forecasting process. EFT can give the Treasury greater accuracy in forecasting its daily cash balances because it eliminates the timing uncertainties in the mailing, cashing, and clearing of checks. Recurring EFT payments and receipts can provide more reliable data for estimating the future effect of these transactions on the daily cash balances.

Recommendations: The Secretary of the Treasury should ask all Federal agencies to report to the Treasury the amounts and timing of large receipts and payments to be made by EFT as soon as they know when such transactions will be made, preferably at least 10 days in advance.

Agency Comments/Action

Treasury concurs with the recommendation and is exploring ways to implement it. In September 1980, Treasury issued a regulation requiring agencies to notify Treasury of all large EFT disbursements prior to payment date. Treasury is still considering a similar requirement for large EFT receipts.

Appropriations

Fiscal operations - Department of the Treasury

Appropriations Committee Issues

In view of the potential cash management improvements available through the use of EFT, the Committees may want to inquire about the Treasury's efforts (1) to get Federal agencies to use EFT for various receipts, and (2) to require them to give the Treasury advance notice of such receipts.

DEPARTMENT OF THE TREASURY

New York City's Fiscal Problems: A Long Road Still Lies Ahead

(GGD-80-5, 10-31-79)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: New York City Loan Guarantee Act of 1978 (P.L. 95-339). New York City Seasonal Financing Act of 1975 (P.L. 95-143). Loan Guarantee Act of 1978.

Like many major, older industrial cities, New York City seems to require ever-growing infusions of Federal and State aid in order to avoid chronic, and ultimately fatal, budget deficits. The City made some specific programmatic cuts early in 1976. Since then, it has been relying essentially on a strategy of containing costs and using Federal and State aid to close its budget gaps. The City's current financial plan continues the strategy of relying heavily on the latter remedy. Obviously, outside help is beneficial from the City's perspective, but local officials may be relying too heavily on others. The City's chances of continuing such a policy are questionable in view of the fiscal belt tightening that is expected at the State and Federal levels. The City's latest financial plan, approved in June 1979, projects a balanced budget, on a State legislative basis, for 1980, and budget gaps of $464 million, $830 million, and $854 million for 1981, 1982, and 1983, respectively.

Findings/Conclusions: The City's financial plan does not appear to be realistic. Most of the current labor contracts between the City and its employees expire in June 1980. Except for a provision of $82 million for fiscal year 1981, the impact of probable increases in labor costs was not considered in calculating the projected budget gaps. The City's latest financial plan acknowledges that a wage increase similar to the last one would increase the projected budget gaps by $43 million, $295 million, and $465 million in 1981, 1982, and 1983, respectively. In addition, the City's revenue projections are based on economic assumptions which may be overly optimistic. Depending on the severity and nature of the expected economic downturn, City revenues could be reduced. Reductions could be about $69 million in 1980, and $122 million in 1981. The City has not yet included the impact of such estimates in its projected gaps, preferring to wait until the economic outlook becomes clearer. Although the City's long decline in employment ended in 1978, its economy is not expected to improve markedly. A stagnant economy could limit tax revenue growth to less than the rate of inflation. The City needs to take further actions to improve its business climate, induce more investment in the City, and lower the tax burdens on its corporate and individual residents.

Recommendations: The Secretary of the Treasury should: (1) encourage the City to revise its financial plan to reflect the need for additional budget cuts; (2) monitor closely the implementation and use of the milestone system; (3) urge early negotiations between the City and its unions to give the City a more precise picture of how the settlement will affect its financial plan; and (4) encourage the City to take further actions to improve its economic base.

Agency Comments/Action

While the Treasury Department, New York City, and the Financial Control Board agreed that the City has a long way to go and must continue its retrenchment effort, they disagreed with the recommendations that actions beyond those planned are needed. The State's Special Deputy Comptroller and the State's Municipal Assistance Corporation agreed with GAO.

Appropriations

Salaries and expenses - Department of the Treasury

Appropriations Committee Issues

The Congress should require the Department of the Treasury to more closely monitor the City's efforts to implement a sound financial plan. This information will help Congress to assess the City's situation and decide whether to extend further help in the form of loan guarantees. By law, either the Senate or House can act to disapprove the loan guarantees to be given in the City's fiscal years 1980 and 1981.

DEPARTMENT OF THE TREASURY

Recent Developments in the Withholding Tax System

(PAD-80-41, 2-27-80)

Budget Function: General Government: Tax Administration (0807)
Legislative Authority: Revenue Act of 1978.

GAO was asked to update its 1977 report "Inequities in the Federal Withholding Tax System." Statistics on withholding that have become available since that report was prepared were collected, a recent Internal Revenue Service (IRS) publication on the system was reviewed, and Treasury officials were interviewed.

Findings/Conclusions: The current review of the withholding system indicates that the Department of the Treasury and IRS have made efforts to educate employers and employees about the system and that the withholding tables are more accurate than in previous years. Despite this, overwithholding for 80 to 90 percent of the taxpayers subject to withholding has continued. A 1977 report concluded that continuous overwithholding was the deliberate choice of many taxpayers to claim fewer withholding exemptions allowances than they were entitled to claim. The withholding tables were revised effective January 1, 1979, to reflect legislative changes. However, because each allowance was increased to $1,000 and because the withholding rates are no longer reduced to allow for the general tax credit, anyone claiming too few withholding allowances will generally be overwithheld by a greater margin under the new tables than under the old ones. The Department of the Treasury sent notice with all refund checks of $200 or more to taxpayers in 1979 stating that overwithholding could be avoided by claiming the proper number of withholding allowances. Treasury officials believe that taxpayers do not seem very interested in reducing overwithholding, and that more extensive educational efforts might not be cost effective and could actually be counterproductive. A recommendation to survey employers on the methods they use to compute withholding and to study methods for expediting refunds to the unemployed had not been acted on by the Treasury.

Recommendations: The Treasury should enclose copies of the Form W-4 with refund checks or include them in the Form 1040 package to make it easier for taxpayers to make withholding changes. IRS and the Treasury are urged to collect more data on the withholding system in operation, specifically by (1) collecting statistics from Employee's Withholding Allowance Certificates; (2) producing monthly statistics that show receipts of withheld income taxes separately from receipts of social security contributions; and (3) surveying taxpayers to find out why they think overpayment of the withholding tax is desirable, unlike the overpayment of other bills.

Agency Comments/Action

Treasury generally agreed with the report and has made plans to conduct the studies of the withholding tax system GAO thought were necessary. They have taken no other action pending the results of the studies, which GAO agreed is the sensible course.

Appropriations

Tax analysis - Department of the Treasury, Office of Tax

Appropriations Committee Issues

GAO recommended actions and studies to the Secretary of the Treasury that could in the short run increase budget costs. In the long run, they should lead to more efficient tax collection and debt management.

DEPARTMENT OF THE TREASURY

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Occupational Taxes on the Alcohol Industry Are Not Being Adequately Enforced, but Repeal Appears Preferable to Additional Enforcement

(GGD-75-111, 1-16-76)

Budget Function: Central Fiscal Operations (0803)
Legislative Authority: Federal Alcohol Administration Act (26 U.S.C. 5146).

Alcoholic beverage occupational taxes collected in fiscal year 1975 amounted to $21.5 million.

Findings/Conclusions: Taxpayer compliance with the alcohol-related occupational tax has dropped below acceptable levels and enforcement by the Bureau of Alcohol, Tobacco and Firearms is inadequate. Although additional manpower in this area would undoubtedly increase both revenue and compliance, repeal of the occupational taxes appears preferable to increased enforcement.

Recommendations: Congress should repeal all occupational taxes in section 5081 through 5148 of the Internal Revenue Code on retail and wholesale dealers in distilled spirits, wines, and beer; manufacturers of nonbeverage alcoholic products; brewers; manufacturers of stills; and rectifiers. Congress should also amend the Federal Alcohol Administration Act to clarify the authority of the Bureau of Alcohol, Tobacco and Firearms to investigate possible consumer and/or unfair trade practice violations of the Act prior to a permit hearing.

Agency Comments/Action

The Treasury Department is opposed to the repeal of the occupational tax authority. Further, in its reply to the Office of Management and Budget on the report, the Department stated that the GAO report raised a broad issue concerning whether the entire practice of regulating the retail liquor industry should revert to the Federal Trade Commission or to State authorities.

Appropriations

Salaries and expenses - Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms
Taxpayer compliance - Department of the Treasury, Bureau of Alcohol, Tobacco, and Firearms

Appropriations Committee Issues

It is necessary to determine whether additional funds should be requested to enforce collection of occupational taxes on the alcohol industry.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

How Taxpayer Satisfaction With IRS' Handling of Problem Inquiries Could Be Increased

(GGD-79-74, 9-18-79)

Budget Function: General Government: Tax Administration (0807)

The U.S. tax system is based on voluntary compliance and each individual and business is responsible for filing all required tax returns, assessing the amount of the tax, and paying that amount. Because the Federal tax laws, publications, and forms are complex, taxpayers often need answers to difficult questions. The Internal Revenue Service (IRS) has two systems through which it handles tax inquiries: normal handling and special handling. The normal system used by district offices is intended to answer most taxpayer inquiries on the first contact. The special system was established to handle problem inquiries. While taxpayers may not always be right, extensive taxpayer dissatisfaction could affect their compliance with the tax laws. As a result, GAO sent out questionnaires to determine taxpayer satisfaction with IRS handling of inquiries.

Findings/Conclusions: The majority of the 2,223 taxpayers responding to the questionnaire were satisfied with the way IRS handled their inquiries. About 32 percent were dissatisfied, most complaining about the way IRS communicated its answers and the fact that resolving, or not resolving, their problems took too many contacts and too much time. GAO estimates that 54 percent of the taxpayers handled by the national office and 40 percent handled by service centers were dissatisfied. Due to weaknesses in implementing the special handling system, many problem inquiries which should have received special handling either did not or were referred too late. The control procedures were also found to have weaknesses. Followup of taxpayers with problem inquiries is too limited and taxpayers whose problems are not solved after the first attempt either have to keep trying in frustration or give up. Followup is needed to see that the problems are solved and that the taxpayers are satisfied to the extent possible. Followup would also provide data for the systematic evaluation of possible problem causes. Satisfaction could be increased by making the district offices' special handling units the focal point for controlling more such inquiries, since the national office and service centers are further removed and are not primarily intended to handle taxpayer problems.

Recommendations: The Commissioner of Internal Revenue should: (1) require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries are properly referred for special handling and are controlled; (2) increase the extent to which problem inquiries are handled and controlled by the district offices; (3) send comprehensive followup questionnaires to a statistically valid selection of all taxpayers with problem inquiries; (4) increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by the GAO taxpayer questionnaire survey; and (5) make sure that IRS looks for ways to improve its communication of responses to taxpayers' inquiries as part of its efforts to simplify tax forms and instructions.

Agency Comments/Action

IRS generally agreed with most of GAO's recommendations. The major disagreement related to IRS's belief that it should obtain information about previous contacts on the same question or problem from only certain taxpayers requesting assistance. GAO believes that unless IRS identifies all second-time contacts and provides those requirers with special handling, some deserving persons will still not get special service, while others who do not meet the criteria, but who complain the most, will receive it. IRS has issued instructions directing its employees to determine whether taxpayers making an inquiry had previously contacted IRS on the same matter. However, the requirement only covers matters which made up 15 percent of the total inquiries in 1978. IRS believes that querying all taxpayers about previous contacts on the same inquiry will put a possible strain on its taxpayer service resources. However, GAO believes this is the only way IRS can properly implement its criteria for referring taxpayer inquiries to its special handling system, or Problem Resolution Program. Until it queries all taxpayers about prior contacts on the same problem, IRS will never know how much, if any, additional resources are required to make such inquiries. IRS would then be better able to determine whether it needs different criteria for identifying problem inquiries and/or whether it needs to devote more resources to operating its special handling system.

Appropriations

Taxpayer service - Department of the Treasury, Internal Revenue Service

Appropriations Committee Issues

The Committees should question IRS as to the success of its limited requirement to query taxpayers on prior contacts. They should also inquire as to the cost of extending the requirment to cover all taxpayers.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Inspection Service Functions: Management Can Further Enhance Their Usefulness
(GGD-78-91, 1-30-79)

Budget Function: General Government: Tax Administration (0807)

The Internal Revenue Service (IRS) must maintain effective management control over its collections, returns, and investigations, and assure integrity among the staff involved. To do this IRS has a principle means of control, the Inspection Service. The Inspection Service is charged with keeping the agency's operations and management under continual scrutiny and appraisal.

Findings/Conclusions: Although the internal audit staff is complying with management's directives and contributing to more efficient operations, its role and usefulness are limited in meeting management's needs. The audit staff must direct its efforts primarily to continually monitoring field activities, an unrealistic goal which hinders effective audit planning. The audit approach basically restricts the scope of most audits to a single field office, limits the purpose to determining whether specific operations at that office comply with written instructions, and results in audit reports to field management. The internal audit staff's own efforts for improvement are a step in the right direction, but management needs to supplement these actions.

Recommendations: The Commissioner of Internal Revenue should: (1) modify policy requiring annual audits of all major field activites and establish an audit goal which encourages the most effective use of resources; (2) direct the Assistant Commissioner of Inspection to develop audit plans and periodically discuss with the Commissioner and other Assistant Commissioners the level of resources devoted to centrally planned, directed, and controlled audits; (3) clarify the role and responsibilities of regional analysts; (4) determine the extent the Office of Personnel Management can assume additional responsibility for personnel investigations presently being conducted by IRS criminal investigators; (5) provide general investigators to conduct noncriminal investigations; (6) establish criteria delineating matters to be investigated and assign responsibility for handling administrative matters to line management; (7) review the investigator and caseload relationships to provide a reasonable investigator caseload balance; and (8) establish uniform standards to monitor the timeliness with which investigations are being completed.

Agency Comments/Action

IRS agreed with most of the GAO recommendations. However, the nature and extent of some of the actions it planned to take were unclear. IRS did not specifically agree to base its audit plans on the number of auditors expected to be available as opposed to the number it thought it should have.

Appropriations

Inspections - Department of the Treasury, Internal Revenue Service

Appropriations Committee Issues

The IRS Internal Security Division has made extensive use of criminal investigators to perform noncriminal work even though the work could be done at substantial savings by the Office of Personnel Management or the IRS general investigative personnel. IRS has not reduced its criminal investigators by 50 percent as suggested by GAO, but has replaced some criminal investigators with paraprofessionals. The Senate Committee urged IRS to continue its efforts until up to 75 percent of all background investigations are handled by other than criminal investigators. The IRS Internal Security Division has transferred the responsibility for conducting most background investigations to its paraprofessionals. It is also testing the feasibility of having OPM investigate certain nonsensitive positions. The Committees should assure that the IRS Internal Security Division achieves maximum reduction of costly criminal investigators.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Who's Not Filing Income Tax Returns? IRS Needs Better Ways To Find Them and Collect Their Taxes

(GGD-79-69, 7-11-79)

Budget Function: General Government: Tax Administration (0807)
Legislative Authority: Internal Revenue Code (IRC). 26 U.S.C. 6072(a). 26 U.S.C. 6081. 26 U.S.C. 6651(a).

Each year many taxpayers do not file tax returns, and as a result, the Internal Revenue Service (IRS) is not able to collect billions legally owed to the United States. IRS' primary means for detecting and investigating nonfilers is the Taxpayer Delinquency Investigation Program (TDIP). Its major weaknesses result from criteria for selecting potential nonfilers for investigation, policies and procedures restricting the investigation of those selected, and various practices in managing nonfiler cases. Selection of potential nonfilers is based generally on whether a person's income indicates a predetermined tax liability, rather than on whether a person is required to file. Because resources are limited, IRS policies and procedures for investigating potential nonfilers intentionally limit the extent to which they are pursued. Delays in processing tax refunds to delinquent filers are also costly to the Government because interest must be paid on those returns which are not processed within 45 days. Furthermore, regulation does not impose a penalty to delinquent taxpayers if they are due refunds.

Findings/Conclusions: Certain differences such as education level and self-employment help explain the identity of nonfilers and the reasons they do not comply. Occupations with the highest nonfiling rates were laborers, service workers, craftsmen, and clerical workers. IRS' only active program to date is directed at some self-employed professionals who make up less than 1 percent of the estimated nonfiler population. IRS needs to be more systematic and vigorous in detecting and pursuing nonfilers. To determine the number and identity of these nonfilers, their reasons for not filing, and the action needed to promote compliance with the laws, it is necessary to estimate the nonfiler population and analyze its characteristics. A model needs to be developed which could be used to assure that individuals selected for investigation are indeed required to file returns. IRS can improve its TDIP by making a number of improvements in its caseload management practices. Using State tax-related data on Federal nonfilers would also help identify nonfilers who are not easily detected through its TDIP. Additional resources alone will not increase program effectiveness. Improvement needs to be made in the way IRS uses the money and people it has.

Recommendations: To further reduce the delinquency gap created by the nonfiler population, the Commissioner of the IRS, given available resources, should consider establishing more Returns Compliance Programs directed at specific groups of individual nonfilers deserving concentrated attention because of their tendency toward nonfiling. Any selection of such programs should be based on periodic IRS estimates and analyses of the nonfiler population. In the interim, however, selection could be based on the characteristics of our estimated population, or random samples of persons not covered under the TDIP. The Commissioner should attempt to use tax and other data available from the States to help detect more nonfilers and establish a priority system to ensure that delinquent tax returns involving refund claims are processed within the 45-day statutory limitation. The Congress should request IRS to develop and provide to the appropriate congressional committees information on the amount of additional funds needed to improve the effectiveness of IRS nonfiler efforts. This information should include cost estimates for (1) estimating and analyzing the nonfiler population, (2) developing a better nonfiler case selection method, and (3) investigating thoroughly all nonfilers selected. The Congress then can decide whether additional funds are needed.

Agency Comments/Action

IRS agreed with most of the GAO recommendations. However, it stated that devoting additional resources to more thoroughly investigate nonfilers would not necessarily be productive and would reduce its efforts in other enforcement programs. GAO questioned the productivity of some of the IRS nonfiler cases and stressed the need to pursue more nonfilers from the standpoint of enforcing compliance and preserving the integrity of the tax system.

Appropriations

Salaries and expenses - Department of the Treasury, Internal Revenue Service
Taxpayer compliance - Department of the Treasury, Internal Revenue Service

Appropriations Committee Issues

IRS maintains that it needs additional resources to fully implement the GAO recommendations for improving IRS' nonfiler activities and to avoid impacting on other important functions, like examinations. As part of its FY 1981 budget request, IRS has provided some information relative to its needs to implement an effective nonfiled program. The Committees should determine whether IRS' nonfiler efforts are being funded at a level commensurate with the levels of efforts in other compliance areas, such as examinations and criminal investigations.

DEPARTMENT OF THE TREASURY

OFFICE OF REVENUE SHARING

More Stringent Revenue Sharing Act Requirements Are Upgrading State and Local Governments' Audits

(GGD-80-35, 5-16-80)

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (0851)
Legislative Authority: State and Local Fiscal Assistance Act of 1972 (P.L. 92-512). State and Local Fiscal Assistance Amendments of 1976 (P.L. 94-488). Revenue Sharing Act (Federal). 90 Stat. 2341.

With the passage of the Revenue Sharing Act, Congress adopted a new approach to giving general financial assistance to State and local governments. For the first 5-year period, ending on December 31, 1976, the act authorized distribution of $30.2 billion to State and local governments. State and local governments welcomed revenue sharing funds because fewer administrative requirements and controls applied to them than to other forms of Federal domestic aid. However, the 1976 amendments to the Revenue Sharing Act set more stringent audit requirements for about 11,000 State and local governments. The amendments required that, beginning January 1, 1977, all revenue sharing recipients receiving $25,000 or more in annual entitlement payments have independent audits of their entire financial operations. These audits should be conducted in accordance with generally accepted auditing standards at least once every 3 years, and reviewed by the Office of Revenue Sharing (ORS).

Findings/Conclusions: Since few recipients have submitted acceptable audits, GAO was unable to determine the extent of compliance with the audit requirements or to evaluate ORS enforcement procedures. But the amended Revenue Sharing Act and quality control efforts of ORS are benefiting State and local governments by requiring State audit agencies and public accounting firms to upgrade their audit standards. A review of ORS records showed that 14 audit agencies in 12 States and 81 of the 188 public accounting firms deviated from generally accepted auditing standards required by the act. In addition, six State audit agencies were not considered independent. The review also showed that corrective action had been taken to correct major weaknesses in the audit control system of ORS. One correction was the establishment of a time limitation for submitting audit reports. Failure to meet the time limitation, would result in the temporary withholding of the recipient's entitlement payment. Therefore, due to the time required to revamp their audit operations, some State agencies with substandard audit practices will not be able to complete acceptable audits in a timely manner.

Recommendations: The Secretary of the Treasury should: (1) amend the ORS regulations to eliminate the March 31, 1978, deadline for recipients requesting waivers based on unauditability, and to establish a time limitation for submitting audit reports; and (2) ensure that the statistical control procedures of ORS be changed to properly account for all audit and series of audit reports. The Congress should amend the Revenue Sharing Act to provide explicit authority for the Secretary of the Treasury to grant waivers to governments audited by State audit agencies which ORS concluded were not following generally accepted auditing standards or were not independent, provided the State agencies are making progress to meet these requirements.

Agency Comments/Action

The Department of the Treasury concurred with all of the GAO recommendations. It plans to amend its regulations relating to waivers based on unauditability. It also supports legislative changes to allow waivers for governments audited by State agencies with auditing standards and independence problems.

Appropriations

General purpose fiscal assistance - Department of the Treasury, Office of Revenue Sharing

Appropriations Committee Issues

There are no issues directly related to appropriations. Indirectly, the improvement in audits of State and local governments and the resultant improvement in their accounting systems will provide greater assurance that Federal funds are being properly administered.

DEPARTMENT OF THE TREASURY

UNITED STATES CUSTOMS SERVICE

Achieving Needed Organizational Change: A Customs Service Dilemma

(FPCD-78-29, 3-30-78)

Budget Function: General Government: Central Fiscal Operations (0803)
Legislative Authority: 1 Stat. 29.

The United States Customs Service is organized on four levels, or tiers (headquarters, 9 regions, 45 districts, and 303 ports). The four-tier structure stems from the Stover report, the result of a Department of the Treasury management study, which gave the impetus for the 1965-66 reorganization.

Findings/Conclusions: While the four-tier structure has contributed to management efficiency, the Stover report and later studies recommended a reduction in the number of regions and districts. Customs has been unwilling to make the reductions because of external opposition to consolidation. Fewer regions and districts would allow Customs to reduce overhead and reassign personnel to day-to-day operations. This could be achieved without eliminating a Customs presence at affected communities, and it would improve services.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to: reduce the number of regions and districts in keeping with workload requirements and sound organizational principles, clarify the responsibilities of organizational levels and units, realign responsibilities for functions among and within organizational levels, and establish definitive criteria for reviewing port status and use these criteria to identify unneeded ports.

Agency Comments/Action

The Department of the Treasury agreed with and endorsed the recommendations, but stated that internal restructuring has been held off pending a possible Presidential reorganization proposal which would create a new border management agency.

Appropriations

Operation and maintenance - Department of the Treasury

Appropriations Committee Issues

The Customs Service can improve its efficiency and reduce overhead by reducing the number of its regional and district offices.

DEPARTMENT OF THE TREASURY

UNITED STATES CUSTOMS SERVICE

Customs' Cargo Processing--Fewer But More Intensive Inspections Are In Order

(GGD-78-79, 9-7-78)

Budget Function: Law Enforcement and Justice: Federal Law Enforcement and Prosecution (0751)
Legislative Authority: 19 U.S.C. 1499.

Customs inspectors attempt to comply with a provision of law which requires that a portion of each imported cargo shipment be inspected. Faced with increased workload and a relatively stable workforce, Customs' inspections often consist of just a quick look. The Customs organizations of several other nations have adopted more selective systems for designating shipments for inspection, rather than trying to look at all shipments. Treasury's Internal Revenue Service also uses a selective system for designating certain tax returns for audit. Customs has two limited enforcement programs, intensive inspection of a few shipments and post-entry audits of importers' books and records, that are more effective than its traditional inspections.

Findings/Conclusions: The inspections conducted by U.S. Customs do not ensure compliance with the laws and regulations governing imports. Intensive inspections of selected shipments and post-entry audits are more effective than cursory inspections of all shipments; however, existing law requires Customs to inspect some portion of every shipment.

Recommendations: Customs should adopt a plan for a comprehensive selective cargo inspection system. Upon receipt of an acceptable plan, Congress should amend the Tariff Act of 1930 (19 U.S.C. 1499) to allow Customs to implement the system.

Agency Comments/Action

The Department agreed with the recommendation and said that Customs is committed to establishing a comprehensive selective cargo inspection system.

Appropriations

Salaries and expenses - Department of the Treasury, U.S. Customs Service

Appropriations Committee Issues

Customs needs to develop a comprehensive selective cargo inspection system to ensure a more effective use of its inspectional and audit resources.

DEPARTMENT OF THE TREASURY

UNITED STATES CUSTOMS SERVICE

Customs' Efforts To Develop a System for Assigning Inspectors Need Top Management Support

(GGD-78-48, 5-2-78)

Budget Function: General Government: Executive Direction and Management (0802); General Government: Central Personnel Management (0805)
Legislative Authority: National Productivity and Quality of Working Life Act (P.L. 94-136).

The method the U.S. Customs Service uses to allocate inspectors to ports-of-entry has created staffing inconsistencies and the potential for their inefficient use. Although Customs has been aware of these shortcomings for many years, only recently have efforts been made to correct the problem. In August 1976, Customs established the Productivity Task Force to develop an approach to productivity management.

Findings/Conclusions: Despite the magnitude of its responsibilities, Customs does not have a system which provides detailed information on its inspection efforts and which relates such efforts to accomplishments, considering such factors as volume, processing complexity, enforcement risks, and facility restrictions. In addition, Customs terminology has not been standardized, thereby hindering the conversion of workload data to staffing requirements. A review of Customs operations at several locations showed no apparent correlation between the number of inspectors assigned to a port-of-entry and the workload in terms of activity levels, work complexity, or enforcement risks. Efforts to correct these problems through the Productivity Management and Improvement program appear to be weakening, and top management support is needed if Customs is to make a more rational allocation of inspectors.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to provide the Productivity Task Force the necessary leadership and the authority, guidance, and personnel to accomplish its objectives; monitor the progress of the Productivity Management and Improvement Program; and develop standardized Customs terminology for current and proposed information systems.

Agency Comments/Action

Treasury agrees in part with the GAO recommendations. Customs believes that although the GAO report recommendations and comments are well intended, there would be considerable difference in the report's conclusions today. Customs said it is now concentrating its efforts to develop a system for assigning inspectors.

Appropriations

Salaries and expenses - Department of the Treasury, U.S. Customs Service

Appropriations Committee Issues

There is a need for a better system of assigning inspectors to achieve more effective and efficient use of inspection staff.

DEPARTMENT OF THE TREASURY

UNITED STATES CUSTOMS SERVICE

Ship Manifest Laws Need To Be Administered in a More Consistent, Less Burdensome Manner

(GGD-80-22, 4-10-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Custom Duties Act. Customs Procedural Reform and Simplification Act of 1978. Tariff Act of 1930. P.L. 94-410. 19 U.S.C. 1431. 19 U.S.C. 1453. 19 U.S.C. 1584. 19 U.S.C. 1618.

GAO was asked to analyze the Customs Service's use of a ship's cargo manifest and the administration of penalties for discrepancies in the manifest. The cargo manifest, which lists the quantity, description, and destination of all cargo on board ships entering the United States, has been and continues to be a useful document for controlling imports. The merchandise quantity and description as shown on the manifest is compared to that shown on importers' merchandise entry documents. Since the manifest is prepared by the carrier and entry documents are prepared by the importer, the comparison provides some control that the quantity and type of merchandise entered by the importer is correct. Further, Customs encourages cargo manifest accuracy through a system of penalties.

Findings/Conclusions: Presently, Customs has difficulty determining whether penalties for manifest discrepancies should be levied. The law provides that carriers will not incur penalties if Customs believes that the manifest is incorrect by reason of clerical error or other mistake. Clerical errors are defined as nonnegligent, inadvertent, or typographical mistakes in the preparation, assembly, or submission of the manifest. However, it is difficult to determine precisely what types of errors constitute negligence. Moreover, the penalties for manifest discrepancies are generally mitigated, and mitigation creates an unnecessary administrative burden. Therefore, Customs needs a new system of levying penalties to improve the administration of penalties. The system should set an initial penalty that would not generally have to be mitigated, would be able to be administered uniformly, and would automatically determine the amount of the penalty based on the number of discrepancies in the manifest. To do that, Customs will have to stop determining whether negligence was involved for each discrepancy. Moreover, carriers are in a position to identify manifest discrepancies and thus aid Customs in the levying of penalties. Therefore, carriers need to be provided with a greater incentive to report manifest errors.

Recommendations: The Secretary of the Treasury should establish a system whereby: (1) the parties responsible for manifest discrepancies are not penalized if the discrepancies are reported within certain timeframes; (2) Customs does not notify carriers of the manifest discrepancies it discovers until the carriers' reporting timeframes have lapsed; and (3) a penalty scale is established for carrier manifest discrepancies based on the number of discrepancies per manifest. Additionally, the unloading permit penalty should not be used to penalize carriers who have inaccurate manifests. Congress should amend the Tariff Act of 1930 to provide the Secretary of the Treasury with the authority to establish manifest penalties based on the number of discrepancies in the manifest.

Agency Comments/Action

The Department of the Treasury agrees that there is a lack of consistency in the assessment and mitigation of manifest penalties. However, it does not agree with the recommended system for correcting these problems. Treasury proposes to remedy the problems by tuning the present system. That may help, but GAO believes it will not be sufficient.

Appropriations

Operation and maintenance - Department of the Treasury

Appropriations Committee Issues

Customs needs to administer manifest-related penalties in a more consistent, less burdensome manner. The Committees should require the Customs Service to demonstrate a new approach for administering manifest penalties, which would provide incentives to carriers to submit accurate manifests and report discrepancies. To provide the Secretary of the Treasury with the authority to establish manifest penalties based on the number of discrepancies in the manifest, Congress should amend the Tariff Act of 1930.

DEPARTMENT OF TRANSPORTATION

How To Improve the Federal Aviation Administration's Ability To Deal With Safety Hazards

(CED-80-66, 2-29-80)

Budget Function: Transportation: Air Transportation (0402)
Legislative Authority: Airline Deregulation Act of 1978 (P.L. 95-504). Airport and Airway Development Act of 1970. Airport and Airway Development Act Amendments of 1976. Federal Aviation Act of 1958 (49 U.S.C. 1421). Executive Order 12044. 49 Fed. Reg. 65550. DOT Order 5800.2. FAA Order 1000.1. FAA Order 1000.27. FAA Order 1300. FAA Order 1800.13A. NPRM 77-1. NPRM 78-3.

The Federal Aviation Administration (FAA) is responsible by law for ensuring the safe and efficient use of the Nation's airspace and fostering civil aeronautics and air commerce. FAA attaches great importance to its safety-related programs. Aviation, compared with other transportation modes, has a good safety record.

Findings/Conclusions: However, FAA has not been effective or timely in developing systems to identify safety hazards because it has not: (1) recognized their importance; (2) emphasized information gathering and analysis, nor (3) undertaken long-term planning for comprehensive identification systems. Organizational problems along with the lack of a comprehensive planning process for addressing aviation safety issues have also hampered the effectivenss of FAA. Without this process, management lacks a reference frame for planning, approving, implementing, and evaluating specific safety projects. Also, once FAA has identified its overall safety priorities, it must have a procedure to insure that safety project plans are prepared, reviewed, and approved. To date, such a procedure has either been incomplete or nonexistent. Additionally, FAA management needs a system of controls to govern the implementation phase of safety projects. The difficulties that FAA has had regarding priorities, requirements, cost-benefit analyses, interim corrective actions, internal coordination, staffing-workload analyses, and accountability need to be addressed through logical and systematic planning. Also, specifications and efforts have not been documented in project files, safety projects have not always been adequately monitored, and no agencywide requirement for recording actual time charged on safety project work existed. Further, evaluation and appraisal functions have not received much priority and have diminished in use at FAA.

Recommendations: The Secretary of Transportation should direct the FAA Administrator to: (1) prepare a long-range plan to improve the identification of safety hazard problems, the integration of various systems to solve them, and milestones for arriving at solutions; (2) monitor the progress of the safety information effort at the highest management levels within FAA and periodically report progress to the Secretary of Transportation; (3) adhere to milestones for plan implementation; (4) explore all means for obtaining a common FAA/National Transportation Safety Board approach to accident information; (5) achieve better coordination of human factors research by establishing an agencywide human factors spokesman and preparing a statement of position on human factors, an FAA human factors definition, an agency long-range plan, and a summary of dollars spent or needed on human factors research; (6) establish a planning process which defines organizational goals, objectives, policies, and priorities to guide the overall safety mission and provides a reference frame for planning and approving specific safety efforts, implementing individual safety project plans, and evaluating safety projects; (7) establish a top management group to identify overall safety priorities; (8) develop formal safety project plans showing how the total agencywide solution is to be accomplished; (9) require that formal plans for individual safety projects be reviewed and approved at the Associate Administrator level; (10) develop a system of controls to guide and monitor safety project work both before and during the rulemaking process; (11) develop a mandatory, written progress report system; (12) implement a system of recording in project folders staff time charged to safety projects; (13) see that each safety project is monitored continually; (14) prepare an annual report on the safety evaluation activities, both as planned and achieved by the Office of Aviation Safety; (15) assign appraisal responsibilities and the requisite manpower resources to the Program Review Staff to conduct independent and objective agencywide evaluations of major issues of concern, or assign this responsibility to a new organizational component reporting to the FAA Administrator; (16) establish permanent procedures to ensure that adequate feedback about compliance is obtained on nonregulatory safety actions; and (17) have the management of the safety mission of FAA periodically evaluated.

Agency Comments/Action

In responding to this report, the Department of Transportation concurred with many of the GAO observations and indicated that action would be taken with respect to the five areas cited in the report regarding FAA-wide planning, priorities, and decisionmaking in all major mission areas.

Appropriations

Operations - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

Continuing committee oversight is needed to assure that specific improvements to FAA procedures, processes, and controls, which should make FAA able to respond more quickly and effectively to aviation safety hazards, are implemented by FAA.

DEPARTMENT OF TRANSPORTATION

CIVIL AERONAUTICS BOARD
FEDERAL AVIATION ADMINISTRATION

Aircraft Delays at Major U.S. Airports Can Be Reduced

(CED-79-102, 9-4-79)

Budget Function: Transportation: Air Transportation (0405)
Legislative Authority: Airline Deregulation Act of 1978 (P.L. 95-504; 92 Stat. 1705). National Environmental Policy Act of 1969. Federal Aviation Act of 1958 (49 U.S.C. 1301). Airport and Airway Development Act of 1970 (49 U.S.C. 1701). 14 C.F.R. 93.121. Aircraft Owners and Pilots Ass'n v. Port Authority of New York, 305 F. Supp. 93 (E.D. N.Y. 1969). Aircraft Owners and Pilots Ass'n v. Volpe (D. D.C. 1969). H. R. 3745 (96th Cong.). 49 U.S.C. 1348.

In 1977, aircraft delays caused U.S. airlines to use an additional 700 million gallons of fuel which is over 8 percent of their total consumption, detained travelers 60 million hours, and cost the airlines over $800 million.

Findings/Conclusions: The delays can be reduced if runway capacity at major airports is used more efficiently by shifting air traffic from peak to off-peak periods or to other airports. Peak hour pricing, charging aircraft a premium to land and take off during peak periods, should reduce delays considerably. Quotas have succeeded in reducing delays by limitng the number of aircraft operations during congested periods. Reliever airports would relieve congestion at major airports by accommodating general aviation traffic now using congested major airports.

Recommendations: The Secretary of Transportation should use peak surcharges and/or quotas to implement the new subsection of the Federal Aviation Act of 1958. To better evaluate the effectiveness of the Airport Development Aid Program (ADAP) funding and to help set priorities, the Secretary should also develop a method which will enable reliever airport operators to determine to what extent their proposed improvements will help reduce congestion and delay at major airports. To reduce aircraft delays, it is recommended that Congress direct the Secretary of Transportation to decrease air traffic during congested periods at major U.S. airports. This could be accomplished by adding a new subsection to section 307 of the Federal Aviation Act of 1958 as follows: In the exercise of authority under subsections (a), (b), and (c) of this section, the Secretary of Transportation is authorized and directed to implement procedures, including the imposition of reasonable charges, which will decrease air traffic in the airspace or in the vicinity of any airport at which the Secretary determines that such procedures are necessary to reduce congestion. To help in the continued operation of privately owned reliever airports, the Congress should make them eligible for ADAP. This could be done by amending section 14(a) of title 1 of the Airport and Airway Development Act of 1970 to read "public-use" in lieu of "public" in the first sentence, and by amending the last sentence of section 15(a) to read: $18,750,000 of the amount made available for fiscal year 1976, including such period, and $15,000,000 of the amount made available for each of the other fiscal years shall be distributed at the discretion of the Secretary to reliever airports including privately-owned reliever airports.

Agency Comments/Action

The Department of Transportation concurred with the GAO recommendations to the Congress. The Department disagreed that a method should be developed to identify to what extent proposed federally funded reliever airport improvements would help reduce congestion. The Civil Aeronautics Board stressed the advantages of peak hour pricing over quotas. The Board supported the GAO conclusion that reliever airports are important and suggested that some portion of the revenues derived from peak hour pricing could be used to help develop relievers.

Appropriations

Operations and airport development (trust fund) - Department of Transportation
Federal aviation administration operations - Civil Aeronautics Board

Appropriations Committee Issues

The Committees should be concerned that additional funding may be needed for the Federal agencies to institute a system of peak surcharges and quotas. Committee interest and concern is needed to assure that the Federal Aviation Administration develops a method which will enable it to better determine (1) how effective the reliever airport ADAP program is, and (2) which proposed projects should be given priority for ADAP funding.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

(CED-79-10, 11-21-78)

Commercial Safety Regulations Are Avoided by Some Large-Aircraft Operators

Budget Function: Transportation: Air Transportation (0405)

A review of the Federal Aviation Administration's (FAA) enforcement of commercial aviation safety regulations revealed several problems involving some large aircraft operators.

Findings/Conclusions: Large-aircraft operators who avoid compliance with commercial safety regulations not only have an unfair competitive advantage over commercial operators who comply with the costly commercial safety regulations, but, in some cases, are operating unsafely. Under existing regulations, foreign air carriers can lease U.S.-registered aircraft and operate in this country under the less stringent private regulations. This action has competitive and safety implications. Stiffer safety regulations for private large aircraft may lead some operators to transfer their aircraft registrations to foreign countries, where there is little regulation, and then to continue operations in the United States under a foreign operating permit. FAA officials plan to upgrade private large-aircraft regulations which will make them more comparable to commercial regulations.

Recommendations: Any new regulations should provide FAA field inspectors with the necessary tools to enforce compliance with the regulations. To lessen the possibility that private operators will avoid safety regulation by moving their operations and aircraft registry to a foreign country, the FAA should work with the Civil Aeronautics Board and the State Department to develop and enforce a requirement stipulating that all foreign air carriers flying in the United States at least meet the International Civil Aviation Organization's (ICAO) safety standards.

Agency Comments/Action

FAA agreed that the operating and airworthiness standards for large private aircraft operated under Part 91 of the FAA regulations need to be made more stringent. An FAA Notice of Proposed Rulemaking upgrades the operating and airworthiness standards for many of the large aircraft being operated under F.A.R. Part 91, and includes authority for free and uninterrupted access to aircraft by FAA inspectors. As a result of discussions between FAA and CAB, the CAB now requires compliance with ICAO commercial standards as a condition for all future foreign air-carrier operating permits issued by the CAB.

Appropriations

Operations - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

Continuing Committee oversight is needed to assure that F.A.R. changes are made, and that FAA is actively enforcing the new rules. The Committees should also assure that CAB is issuing operating permits to only those foreign carriers in compliance with ICAO commercial standards, and that CAB has a workable system to determine compliance.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Misuse of Airport Land Acquired Through Federal Assistance

(LCD-80-84, 8-13-80)

Budget Function: Transportation: Other Transportation (0407)
Legislative Authority: Surplus Property Act. Federal Airport Act. Airport and Airways Development Act of 1970. S. 1648 (96th Cong.). 50 U.S.C. 1622b.

Several billion dollars in Federal grants and donated real property have been used by State and local governments to acquire land for many of the Nation's public airports. Property deeds and applicable laws establish restrictions on the use of this land, which the recipient airport sponsors accept as obligations in exchange for the Federal assistance. If donated property is not appropriately used, the Federal Aviation Administration (FAA) can reclaim it on behalf of the United States. For grant acquired lands, FAA is required to assess the sponsor's continuing need and obtain reimbursement or reinvestment in other airport improvements if sale or other disposal of land is requested. A review was undertaken to determine whether public airport lands, acquired by direct grants of funds and by donations of Federal real property, are properly controlled and used in accordance with deed restrictions and applicable laws.

Findings/Conclusions: Many sponsors at the airports reviewed were using land acquired with Federal assistance for other than airport purposes. The nonairport uses involved revenue-producing activities. Long-term leases of 20 to 40 years exist, and in some cases, renewal options can extend nonairport use for an additional 60 years. Nonairport land uses included: an industrial park complex, private residences, recreation areas, municipal government facilities, other commercial businesses, and agriculture. Although FAA has established a program for monitoring the development and use of these properties, it has had a very low priority and FAA field offices have not implemented it. FAA has failed to ensure that adequate staffing and other resources are provided to conduct the program. Similar problems and questionable land uses have been reported to FAA management repeatedly over the past decade.

Recommendations: To curb the unauthorized use of federally obligated airport land, the Secretary of Transportation should require the Administrator of FAA to: determine the extent of improper and unauthorized uses of land at federally obligated airports and encourage airport sponsors to take corrective actions as needed. If the sponsors are unwilling to do so, FAA should reclaim donated land that is not being used or developed for the purpose conveyed in, and in accordance with, the conveyance agreement. Further, FAA should obtain reimbursement or ensure proper reinvestment by an airport sponsor in other airport improvements where land purchased with grant assistance is not being used appropriately. To increase program effectiveness, the Secretary of Transportation should direct FAA headquarters to become more actively involved in the control and administration of the program by requiring its regional offices to: follow established program policies and procedures; evaluate program needs and provide appropriate staff resources to carry out an effective monitoring and enforcement program; and establish and maintain accurate, complete, and current records to document airport lands with a Federal interest and the related compliance status of airport sponsors.

Agency Comments/Action

FAA plans no special effort to determine the extent of improper and unauthorized use of property at federally obligated airports because it feels adequate resources are not available.

Appropriations

Airports and Airways Trust Fund - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

The Committees should maintain vigilance over FAA efforts to better monitor the use of donated, surplus, and nonsurplus properties and grant funds used to purchases properties.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Second-Career Training for Air Traffic Controllers Should Be Discontinued

(CED-78-131, 6-29-78)

Budget Function: Education, Manpower, and Social Services: Training and Employment (0504)
Legislative Authority: (P.L. 92-297; 5 U.S.C. 3381). 5 U.S.C. 5337.

The Federal Aviation Administration (FAA) employs over 18,000 air traffic controllers. In the interest of aviation safety, controllers must meet specific health and performance standards or be removed from duty. Since limited opportunities exist outside the Government for the specialized knowledge and experience of controllers, the Congress established the Second Career Program in 1972 to provide air traffic controllers with up to 2 years of training for a new career.

Findings/Conclusions: About 50 percent of controllers eligible for the Second Career Program have declined training. An analysis in three FAA regions showed that only 7 percent of the controllers had completed training and obtained employment in new careers for which they trained under the program. Program costs averaged $370,000 for each successful program participant. About 98 percent of the controllers removed from duty had mental and physical impairments; many were the victims of advancing age. Most of the controllers removed from duty chose to use income security and training benefits available under other Federal programs rather than begin a second career. In addition, controllers were not adequately counseled by the Agency, and no effort was made to find employment within the Federal Government.

Recommendations: The Congress should discontinue the Second Career Training Program for air traffic controllers. Concurrent with the discontinuance of the program, the Administrator of the FAA should: adopt and implement a policy to reassign, to the fullest extent possible, controllers removed from air traffic control duty within the FAA; and assist controllers to choose a course of action, considering the potential for reassignment within the FAA or reemployment in another Federal agency and eligibility for benefits from other Federal programs.

Agency Comments/Action

In August 1978 the Department stated that it generally agreed with the findings and actions on the recommendations to the Secretary, and was awaiting a decision by the Congress on whether to discontinue the Second Career Program. It also stated that FAA had undertaken a reevaluation of the program as directed by the Senate Committee on Appropriations, and that the reevaluation results would be submitted to the appropriations and authorizing committees of the House and Senate. The FAA reevaluation study report findings agreed with the GAO report that the program was ineffective and should be discontinued. For fiscal year 1979, the Congress limited Second Career Program funding to controllers in the program as of September 30, 1978 and reduced FAA's budget request $7.8 million. The House and Senate Appropriations Committees extended this funding limitation in their consideration of the FY 1980 appropriation bill (H.R. 4440). Congressional action to modify the Second Career Training Program is pending under H.R. 3479.

Appropriations

Operations - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

The limitation on Second Career Training Program funding for FY 1981 should be continued pending Congressional action on H.R. 5870.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Selected Budget Issues in the Federal Aviation Administration

(CED-79-61, 3-15-79)

Budget Function: Transportation: Air Transportation (0405)
Legislative Authority: OMB Circular A-11.

In a review of the fiscal year 1979 budget for the Federal Aviation Administration (FAA), the following issues were considered: (1) the feasibility of fully funding a flight service station automation program; (2) extension of the facilities and equipment appropriation from 3 years to 5 years; and (3) the purchase of a flight inspection simulator for training.
Findings/Conclusions: Concerning the first issue, FAA was premature in asking for full funding during fiscal year 1979. Since an automated system had not yet been designed, cost estimates and funding levels were subject to change. In addition, FAA had not planned to award the production contract until fiscal year 1980. GAO concluded that this program should be fully funded during fiscal year 1980. GAO concurred with the request by FAA for a 5-year instead of a 3-year appropriation to eliminate lapsing funds caused most frequently by the unavailability of equipment. Concerning the final issue, FAA pointed out that private industry does not have a combined cockpit/flight inspection simulator of the type desired. A proposed training method using two simulators would not provide the quality of training that FAA wants.
Recommendations: FAA should obtain a cost comparison of the two methods, and then attempt to justify to the appropriations Committees the intangible benefits that may be expected through the purchase of a combined simulator.

Agency Comments/Action

FAA did not request funding for the production phase of the project in fiscal year 1980 because the design development phase had not been completed. FAA has not requested full funding in the fiscal year 1981 budget. The fiscal year 1980 DOT appropriation bill (HR 4440) extended the availability of facilities and equipment funds from 3 to 5 years. FAA requested $4.5 million in the fiscal year 1981 budget to obtain a flight inspection training simulator.

Appropriations

Facilities and equipment (Airport and Airway Trust Fund) - Department of Transportation, Federal Aviation Administration

Appropriations Committee Issues

The Committees should continue to require evidence that savings can be realized under full funding of long-term large-dollar procurements of hardware. Congress should also maintain vigilance over the FAA rate of obligation of funds appropriated for five years. The Committees should require updated cost data from FAA showing that the purchase of a flight simulator is cost effective.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Excessive Truck Weight: An Expensive Burden We Can No Longer Support

(CED-79-94, 7-16-79)

Budget Function: Transportation: Ground Transportation (0404)
Legislative Authority: Federal-Aid Highway Act of 1978.

The Nation's highways are deteriorating at an accelerated pace and sufficient funds are not available to cope with current needs or meet future requirements. Many factors that cause highway deterioration are not readily controllable, however, excess truck weight can be controlled. While strictly enforcing weight laws would not eliminate deterioration, it would substantially reduce the rate.

Findings/Conclusions: National statistics show that at least 22 percent of all loaded tractor-trailers exceed state weight limits. This percentage is even higher for other types of large trucks. Although the Department of Transportation (DOT) supported the 1975 increased Federal weight limits, it has no program sufficient to offset related increased costs to preserve the quality of the highways. While the 1975 weight increases were made to save fuel for heavy trucks, all vehicles use more fuel on deteriorated roads, heavier trucks use more fuel, and additional highway repairs require more fuel. DOT has not determined whether there has been an overall fuel saving since the higher limits were allowed. A good weight enforcement program requires effective enforcement techniques, stringent penalties, and adequate staff and funds. States need standards to evaluate their program to enforce weight limits that will enable them to identify problems and reliable alternative solutions.

Recommendations: The Secretary of DOT should include the following in the weight limit study: determine the net fuel consumption resulting from the impact of heavier truck weights; identify the economic effect of changes in weight laws, the cost and benefits, who will pay the costs, and who will receive the benefits; and determine the impact of any weight limit change on the current highway user tax structure and what changes may be needed to assure equitable allocation of costs. The Secretary should direct the Federal Highway Administrator to: establish criteria for evaluating weight enforcement certifications and programs that will assure as much uniformity as practical; develop, in coordination with each State, a long-range plan for improving enforcement programs; develop a State model program to include those State enforcement elements that constitute an effective legal framework to provide viable alternatives to apprehend violators and deter overweight operations; establish a permanent national weight enforcement operating group within the Federal Highway Administration to administer the certification requirement and act as a focal point for gathering and disseminating information; and develop criteria for using Federal funds to construct permanent scales to insure effective placement and operation of these facilities. Congress should amend highway legislation to make Federal weight limits also apply to noninterstate Federal-aid highways in all States; terminate current exceptions in Federal law that allow higher limits on some interstate highways; and prohibit overweight permits and exemptions when loads can be reduced to meet normal State weight limits. The Director, Office of Management and Budget, should develop cooperatively with DOT policies prohibiting Federal agencies from shipping or receiving goods in trucks which exceed State weight laws.

Agency Comments/Action

The Federal Highway Administration has pledged to implement most of the recommendations. They are working to strengthen their criteria for evaluating State weight enforcement programs and have agreed to develop a model enforcement program. While not yet agreeing to establish a small enforcement group at headquarters, it has established organizational responsibility in its field offices. The Highway Administration also has agreed to establish criteria for optimally locating truck weighing scales, provide the Congress interim findings on truck safety, and evaluate the long-term economies of heavier trucks. It did not, however, agree to analyze State-provided data to provide States indications of those types of vehicles most likely to exceed State weight limits.

Appropriations

Federal aid to highways - Department of Transportation, Federal Highway Administration

Appropriations Committee Issues

The Committees should examine the Highway Administration's request for funds to restore Federal-aid highways because currently available State and Federal funds are not sufficient to slow the rate of highway deterioration.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Rail Crossing Safety: At What Price?

(CED-78-83, 4-25-78)

Budget Function: Commerce and Transportation: Ground Transportation (0404)
Legislative Authority: Railroad Safety Act of 1970 (P.L. 91-458). Highway Safety Act of 1966 (P.L. 89-564). Highway Safety Act of 1970 (P.L. 91-605). Highway Safety Act of 1973 (P.L. 93-87). Highway Safety Act of 1976 (P.L. 94-280).

Highway safety legislation includes provisions for supplementing State spending for safety measures at rail-highway crossings. The Federal Highway Administration (FHWA) has designated several types of safety improvements that may be federally funded, including better warning devices or elimination of crossings. The Highway Safety Act of 1976 reduced the percentage of highway safety funds available for high-hazard locations and roadside obstacles and more than doubled the funding for improvements at railroad crossings although only 2 percent of highway deaths occur at grade crossings.

Findings/Conclusions: FHWA has not told States what level of safety they should provide at crossings. As a result, States have widely divergent policies for improving crossing safety. During 1975, about 38 percent of crossing accidents occurred at locations having active warning devices. Improvement in law enforcement and drivers' education may offer alternatives to warning devices. State and Federal officials favor nationwide safety standards but anticipate difficulties in agreeing on a goal and in funding. Highway legislation established specific funding levels for various programs, but such categorical funding does not give States the necessary flexibility to meet their most critical needs. States contended that high-hazard projects were the most cost beneficial, but some crossing projects were also considered sound investments. FHWA has proposed legislation that would combine six categorical safety programs into a unified fund.

Recommendations: The Secretary of Transportation should require FHWA, the Federal Railroad Administration, and the National Highway Traffic Safety Administration to cooperate with the States and railroads in establishing a nationwide level of safety acceptable for rail-highway crossings and determining the best mixture of methods, including education and enforcement, to achieve that level. The Congress should: authorize States which are selecting safety projects according to cost-effectiveness to treat the categories as a single safety fund; as an interim solution, reassess the current allocation of funds among the categorical safety programs; require the Department of Transportation to provide it with a cost estimate for reducing accident risk at grade crossings to a uniform level; and if categorical safety funding is retained, amend the Highway Safety Act of 1973 to distribute crossing safety funds among States in proportion to their needs.

Agency Comments/Action

The Federal Highway Administration is currently considering developing uniform national criteria for selecting traffic control devices at rail-highway grade crossings and has asked for public comments. It, along with the National Highway Traffic Safety Administration and the Federal Railroad Administration, is cooperating with a National Safety Council campaign to develop a program outline for the Operation Lifesaver Program, a coordinated education, enforcement, and engineering effort to enhance safety at grade crossings. Thus far, congressional action has been limited to adopting a provision distributing half the grade crossing funds according to each State's percentage of the national total of grade crossings.

Appropriations

Federal aid to highways - Department of Transportation, Federal Highway Administration

Appropriations Committee Issues

The Committees should ascertain how much construction is still necessary. Further, we believe tangible benefits remain to be derived from consolidation of safety funding.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Highway Safety Research and Development--Better Management Can Make It More Useful

(CED-80-87, 7-28-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Highway Safety Act of 1966 (23 U.S.C. 401 et seq.). National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1381 et seq.). Motor Vehicle Information and Cost Savings Act (15 U.S.C. 1901).

A national program, established by Congress in 1966 to reduce fatalities and improve highway safety programs at all levels of government, has provided about $380 million in Federal highway safety research funds. The objective of the research has been to design and demonstrate methods relating generally to drivers and pedestrians and to help State and local governments increase the effectiveness of their programs. Highway safety is difficult and complex, mainly because of unpredictable human behavior. Highway safety research has had many financial management problems. It has suffered from weak planning and a credibility gap, many of its results are unsuccessful, and there is a lack of knowledge about the use of results. Problems also exist in contract management. Readily accessible information to differentiate highway safety research funds from other program funds is not available. This has contributed to duplication of programs and misuse of State funds.

Findings/Conclusions: The National Highway Traffic Safety Administration's budget presentations to Congress are confusing, misleading, or inaccurate. Federal research objectives lack credibility with the States because individual projects have been poorly planned, promoted, and evaluated. Although the agency has produced usable results, it has also done considerable research which produced results which could not be used by the States or had minimal user acceptance. Research frequently has been started which had little chance of success or has taken more time than anticipated to complete. Researchers and users have little input into program planning and know little about the use of research results, and projects do not address the most important topics. An improved research plan has been developed which should help alleviate problems, but more needs to be done. The present contract management practices have resulted in unmet time schedules, added costs, and a general lack of continuity in many contracts. The agency has tried unsuccessfully to spread contracting throughout the year, does not have an up-to-date accurate list of highway safety research contracts, and suffers from contract technical manager turnovers. GAO made a limited review of the Federal Highway Administration's highway safety research program and found fewer problems than in the Safety Administration's program. However, annual obligations for all highway safety research contracts need to be accurately identified and both administrations need a formal process of evaluating research results.

Recommendations: The Secretary of Transportation should require the Administrator, National Highway Traffic Safety Administration to: (1) identify highway safety research and other program obligations and expenditures so that detailed and summary information on contract and administrative matters is available to aid the agency in effectively administering its programs; (2) make clear budget presentations to provide Congress with schedules and narration showing specific areas where highway safety funds will be spent, including administration; and (3) use highway safety research funds only for that program's activities unless specifically authorized by Congress to do otherwise. He should direct the Administrator, National Highway Traffic Safety Administration to: (1) define the responsibilities of the agency's two offices which are performing research, establish who will have overall responsibility for the highway safety research program, and delegate authority to carry that work out accordingly; (2) consistently use internal and external input in its formal planning process to compile and analyze available research in each program area, set priorities for countermeasures and projects which will be most beneficial to users, and incorporate all highway safety research activities; (3) use the successful planning processes of other highway safety research groups as a guide for its planning; (4) formally evaluate successful and unsuccessful research and determine what uses have been made of the results; (5) make available to the highway safety community research results; and (6) closely monitor contracts so that usable results can be developed with fewer delays. He should direct the Safety Administrator to initiate a system of contract design and monitoring that will reduce modifications and award contracts throughout the year. Also, the Safety Administrator should maintain accurate contract lists and take steps to reduce unnecessary contract technical manager turnovers. The Secretary should require the Administrator, Federal Highway Administration, to account annually for safety research contract obligations. Both administrators should be required by the Secretary to develop formal processes to assess the use of research results.

Agency Comments/Action

In commenting on the draft report, the Department of Transportation did not concur in the majority of the findings and conclusions. It said that GAO had reached faulty conclusions based on limited information and it recommended that GAO carefully review and consider the facts and the Department's comments before writing the final report. GAO believes its conclusions are not faulty, nor are they based on limited information. Because of the volume of the DOT comments, which deal exclusively with the National Highway Safety Administration and are silent on the Federal Highway Administration, these comments and the GAO evaluation have been published as a supplement (CED-80-87A) to this report.

Appropriations

Operation and research - Department of Transportation
Traffic and motor vehicle safety programs
Highway safety research and development

Appropriations Committee Issues

The Committees may want to consider the financial management and contracting problems that the National Highway Traffic Safety Administration has had and the clarity of the Administration's budget presentations.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION
URBAN MASS TRANSIT ADMINISTRATION

Stronger Federal Direction Needed To Promote Better Use of Present Urban Transportation Systems

(CED-79-126, 10-4-79)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Urban Mass Transportation Act of 1964. Energy Policy and Conservation Act (P.L. 94-163). Clean Air Act Amendments of 1977. Department of Energy Organization Act. Surface Transportation Assistance Act of 1978. 22 C.F.R. 450. 49 C.F.R. 613.

To encourage better use of existing highway and public transit systems, the Federal Highway Administration (FHWA) and the Urban Mass Transportation Administration (UMTA) in 1975 issued joint planning regulations requiring urban areas to develop transportation systems management plans. In developing these plans, urban areas are to consider a wide range of projects, such as preferential treatment for transit and other high-occupancy vehicles, progressive timing of traffic signals, and establishment of pricing mechanisms to reduce vehicle use in congested areas.
Findings/Conclusions: The joint planning regulations have not resulted in integrated urban transportation system plans nor in the widespread adoption of projects different from those implemented prior to the regulations. The FHWA and the UMTA administer the regulations separately, do not always agree on the regulations' scope, and do not enforce the requirements consistently. Urban areas are required to submit one plan for highways and transit, but separate reviews by FHWA and UMTA do not facilitate integration of urban transportation plans. Since there is no one interpretation of what transportation systems management is, Federal, State, and local transportation officials are uncertain as to what kinds of projects can or should be considered in the plans. Neither FHWA nor UMTA has required measurable objectives to be established, and most urban areas have not established them.
Recommendations: The Secretary of Transportation should: (1) require the FHWA and the UMTA to reach agreement on the regulations' scope and requirements; (2) integrate the Department of Transportation's administration of the planning and review functions by providing State and local officials with consistent direction and reviewing the planning processes in urban areas from a total transportation system perspective; and (3) require the FHWA and UMTA to work with State and local officials in developing measurable urban transportation objectives aimed at improving existing urban transportation resources. To promote coordination of the planning process, the Secretary of Transportation should require that the FHWA and the UMTA not approve an urban area's planning process until it has shown that the plan is an overall unified one and includes input from the groups or agencies that can contribute to the planning process. Finally, the Secretary of Transportation should request funds to test whether Federal financial incentives would help promote more widespread adoption of innovative projects and then determine the need for additional legislative authority.

Agency Comments/Action

The Department of Transportation generally agreed with the GAO conclusions and recommendations. It believed, however, that the report did not reflect adequately the positive effects of the regulations and the variations in local political structures and intergovernmental relations that had to be considered in developing the regulations. The Department stated that it would provide additional guidance to clarify the transportation systems management concept and had formed a Transportation Decision Group which was examining the planning, programming, and project approval process for highway and transit programs to determine how they can be more consistent and more effective. The Department also stated it had proposed, as part of the President's energy program, to: (1) provide greater financial incentives to States to implement Federal-aid highway program transportation systems management projects by increasing the Federal match for specified projects; and (2) increase authorizations and fund section 4(i) of the Urban Mass Transportation Act of 1964 to encourage local officials to implement projects that would make their transit systems more efficient movers of people. The Department disagreed, however, with the recommendation that the FHWA and UMTA not approve urban area planning processes that are not unified and do not include input from all groups or agencies that could contribute to the planning process. The Department stated that the metropolitan planning process is a fragile mechanism and it believed that the planning objectives could best be achieved through continued development of the process rather than through confrontation.

Appropriations

Urban transportation planning - Department of Transportation, Urban Mass Transportation Administration and Federal Highway Administration

Appropriations Committee Issues

The Committees should determine what the results of the Transportation Decision Group's examination were and what the Department has done to clarify the transportation systems management portion of the joint planning regulations. They should also determine how the Department plans to measure the effectiveness of providing a financial incentive to urban areas undertaking innovative transportation systems management projects. Because the Department disagreed with the recommendation concerning approval of urban area planning processes, the Committees should determine what actions the Department is taking to encourage urban areas to adopt planning processes that result in overall unified plans and include input from all groups or agencies that could contribute to the planning process.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

How the Law To Prevent Discrimination and Encourage Minority Participation in Railroad Activities Is Being Implemented

(CED-80-55, 2-1-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). 49 C.F.R. 265. Executive Order 11246. P.L. 95-507.

Under the Federal Railroad Administration's (FRA) regulations, recipients of Federal financial assistance, and certain of their contractors and subcontractors, are required to take affirmative action to insure that minority persons and businesses have a fair opportunity to participate in employment and contractual opportunities resulting from the assistance. FRA organizations which administer the regulations are to: (1) review and approve recipients' affirmative action plans before financial assistance is granted, (2) monitor recipients' progress toward the goals established, and (3) investigate complaints. The Minority Business Resource Center (MBRC) was created under FRA to help assure that minority-owned businesses would be given the maximum practical opportunity to participate in business generated from public funds to the railroads by helping them to obtain contracts with the railroads.

Findings/Conclusions: Although FRA has initiated a number of corrective actions which should improve its implementation of the regulations, it has not adequately carried out its full responsibilities. GAO found that: (1) financial assistance was granted to recipients before their affirmative action plans (AAPs) were approved, and as of December 14, 1979, plans had not been approved for 10 States, Conrail, Amtrak, and the three major contractors working on the Northeast Corridor Improvement Project; (2) FRA has not systematically monitored recipients' progress; (3) two of the eight railroads receiving assistance have not submitted required reports on procurements from minority businesses; (4) additional efforts are needed to assure that claimed minority businesses are eligible; and (5) FRA policies and procedures relating to the goal for minority procurements and the requirement for recipients to monitor the progress of their contractors and subcontractors need to be clarified. While the number of minority contracts with the railroads has increased substantially, it is not possible to determine how much of the increase can be attributed to the activities of MBRC. A report prepared by an outside firm cited many problems which were inhibiting MBRC progress, but made many recommendations which the firm thought could increase MBRC progress.

Recommendations: The Department of Transportation should monitor FRA compliance with its regulations to insure that assistance is not granted until the applicants' AAP's have been approved. FRA should direct MBRC to establish, and disseminate to all recipients, clear policies and procedures on: (1) the dollar base to which the minority procurement goal of 15 percent is supposed to be applied; and (2) what recipients and contractors are supposed to do to monitor the activities of their contractors and subcontractors.

Agency Comments/Action

The Department of Transportation agreed that improvements were needed and said that the departmental Office of Civil Rights will monitor FRA compliance with its regulations. The Office plans to review the FRA program in the fall of 1980. The Department issued revised regulations (49 C.F.R. 23) on March 31, 1980, concerning minority business enterprises. The Department also said that corrective actions were being taken on the other problems noted.

Appropriations

Office of the Administrator - Department of Transportation, Federal Railroad Administration
Rail service assistance - Department of Transportation, Federal Railroad Administration

Appropriations Committee Issues

The Committees should ascertain FRA progress in improving its implementation of the provisions to prevent discrimination and encourage minority participation in railroad activities supported by Federal assistance.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Amtrak's Inventory and Property Controls Need Strengthening

(CED-80-13, 11-29-79)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Rail Passenger Service Act (45 U.S.C. 644). 41 C.F.R. 10143.001-5. 40 U.S.C. 472(e).

GAO has found several weaknesses in Amtrak's inventory and property controls. Amtrak's investment in inventory and property is substantial. The property, including rolling stock, tracks, land, stations, maintenance facilities, office buildings and other items such as furniture and equipment, has been valued at $1.2 billion. The inventory, valued at $92 million, consists primarily of spare parts needed for repair and maintenance operations.

Findings/Conclusions: Amtrak's inventory records were found to be largely inaccurate. Physical supply counts by GAO at two stores showed that both the computerized and manual records were inaccurate about half the time. The inaccuracies were largely due to several inventory control problems. Amtrak often made payments to vendors without first being sure that the items were actually received. Because of inadequate protection, many items were taken from storage without documents showing who took them or why. Thus, it could not be determined if the items were used, misplaced, or stolen. Improvement was needed in Amtrak's methods for determining how much of each item to stock and when and how much to order, as well as how to identify and get rid of items no longer needed. Amtrak was not following its own procedures for controlling its property. Property registers were often not maintained, were not accurate, or were not kept up to date. Many property items were not tagged or otherwise identified. Physical inventories and internal audits of property have been limited. The last Amtrak inventory of its property was in 1974. Its only audit of local property records indicated that the records were neither accurate nor properly maintained.

Recommendations: The president of Amtrak should: improve payment controls to assure that items billed for were ordered and received; improve receiving controls and the preparing and processing of receipt documents; improve physical security; establish and monitor record accuracy standards; develop and implement adequate methods for determining stocking levels; and develop an effective system for identifying and disposing of items not needed. He should improve property controls by: requiring each department to properly tag property items and develop and maintain accurate property registers; establishing a regular cycle of physical inventories of property; making sure that everyone responsible for Amtrak property understands the correct control procedures; and increasing internal audit coverage of property.

Agency Comments/Action

Both Amtrak and the Department of Transportation agreed with the report's conclusions and recommendations for strengthening controls. Amtrak said it had decided to spend about $2.2 million to acquire and implement a proven material management system that would be fully operational in August 1981. The new system is expected to correct many of the deficiencies noted and produce substantial savings for Amtrak by reducing inventory and personnel requirements.

Appropriations

National Railroad Passenger Corporation grants - Department of Transportation

Appropriations Committee Issues

The Committees will need to consider whether Amtrak's anticipated annual savings from reduced inventory and personnel requirements are achieved, and whether the savings are reflected in Amtrak's Federal subsidy requirements.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

How Much Should Amtrak Be Reimbursed for Railroad Employees Using Passes To Ride Its Trains?

(CED-80-83, 3-28-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Amtrak Reorganization Act of 1979 (P.L. 96-73). Rail Passenger Service Act of 1970 (45 U.S.C. 565(f)).

Amtrak has been providing free or reduced rate transportation to certain railroad employees, retirees, and their spouses and dependents since 1972. Pass riders are entitled to free or reduced rate travel, provided space is available. They travel free or at half fare depending on factors such as length of railroad employment, whether they are retired, and whether they are traveling on or off the rail lines of their home railroad. The Amtrak Reorganization Act of 1979 required the railroads to pay Amtrak 25 percent of the monthly average yield for each mile traveled by pass riders. The Act further required GAO to recommend the appropriate means to reimburse Amtrak for its costs, taking into account the value of the service provided.

Findings/Conclusions: The costs Amtrak incurs in furnishing transportation to pass riders are debatable. The basic question is whether Amtrak is to be reimbursed for (1) its incremental costs which are small compared to total operating costs, or (2) a portion of total operating costs equal to the value of the service pass riders receive. GAO does not recommend one position over the other. The choice is a policy decision Congress should make. It is difficult to place a definitive value on the service pass riders receive. Amtrak considers pass privileges to be a valuable fringe benefit to the employees and the railroads and, for this reason, the incremental cost argument to be inappropriate. Congressional action will be required to decide the issue of reimbursement. Two options are available: (1) to provide for Amtrak to be reimbursed only for the incremental costs of providing free or reduced rate transportation to eligible persons or (2) to provide for Amtrak to be reimbursed for the value of the service it provides.

Agency Comments/Action

Amtrak said the 50-percent reimbursement rate it initially proposed that the railroads pay appeared to be reasonable given the restriction on pass riders. Amtrak concluded that, given the congressional mandate to increase revenues and to improve its cost-to-revenue ratios, it should be entitled to reimbursement from the railroads at least equivalent to the current 25-percent formula established by Congress, which is a significantly larger discount than is offered the general public.

Appropriations

National Railroad Passenger Corporation grants - Department of Transportation

Appropriations Committee Issues

Considering the interest in Amtrak's ridership costs and revenue, the Committees should monitor the extent and impact that Amtrak's pass-rider program has on its total operations.

DEPARTMENT OF TRANSPORTATION

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Promotion of Cargo Security Receives Limited Support
(CED-80-81, 3-31-80)

Budget Function: Transportation: Other Transportation (0407)
Legislative Authority: Cargo Security Act of 1979. Department of Transportation Act (49 U.S.C. 1651). 49 C.F.R. 101-1. Executive Order 11836. DOT Order 6000.2. H.R. 655 (96th Cong.).

A review was undertaken of the Department of Transportation (DOT) Office of Transportation Security's (OTS) efforts to promote cargo security. OTS was established to help combat the widespread problem of cargo theft. Working through a voluntary program, OTS coordinates and promotes cargo security activities in 15 metropolitan area city campaigns and encourages industry to use various cargo security measures. OTS also provides data on the extent of the cargo theft problem. Conservative estimates of the direct cost of cargo theft in 1979 alone was $1 billion. **Findings/Conclusions:** GAO found that the effectiveness of the OTS cargo security program has been hindered by a small budget, inadequate staff resources committed to the city campaigns by DOT modal administrations, and industry's minimal interest. With these constraints, OTS can realistically do little to promote cargo security. GAO also found that OTS data has understated the extent of the problem and may not be reliable and useful in the future. DOT is currently considering various alternatives for modifying the voluntary cargo security program. These modifications include the possibility of reducing the staff and budget and city campaigns of OTS concentrating on cities with the most severe cargo theft problems, or shifting the city campaign leadership from the modal administrations to OTS. Additionally, unless OTS can obtain reliable data on cargo thefts in the future, DOT may discontinue collecting, processing, and publishing this information.

Agency Comments/Action

DOT officials said the report is essentially a fair assessment of OTS efforts and that they will consider the findings in the current review of alternatives for modifying the cargo security program.

Appropriations

Research and special programs - Department of Transportation, Research and Special Programs Administration

Appropriations Committee Issues

The Comittee should consider whether the current level of OTS staff and resources are adequate to effectively promote cargo security.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

The Coast Guard--Limited Resources Curtail Ability To Meet Responsibilities

(CED-80-76, 4-3-80)

Budget Function: Transportation: Water Transportation (0403)
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978 (P.L. 95-372; 92 Stat. 629). Port and Tanker Safety Act of 1978 (P.L. 95-474; 92 Stat. 1471).

In recent years, Congress has given the Coast Guard new duties, such as oilspill prevention and cleanup, and enforcement of fisheries and drug laws. However, the Coast Guard's budget has not grown to meet its needs for additional staff and vessels. Moreover, some Coast Guard shore facilities are inadequate. Consequently, the Coast Guard will have problems effectively carrying out its responsibilities in the 1980's.

Findings/Conclusions: Budget reductions have limited the Coast Guard's ability to adequately maintain its cutters and shore facilities, and it has been unable to expand the cutter fleet to meet increased duties. GAO evaluated 51 cutters and found that 35 were having problems relating to: changes in Coast Guard missions construction, obsolete equipment, maintenance, and habitability. Despite increased duties, Coast Guard personnel resources have remained fairly constant. High attrition rates have also affected mission performance. The Coast Guard estimated that an additional 8,200 people are needed in 1981, about half of which are needed to carry out activities mandated under recent legislation. As a result of the low retention rate, about 48 percent of enlisted Coast Guard personnel will have less than 2 years of experience in 1980. Studies and analysis indicate that many shore facilities have reached or surpassed their design life. Moreover, capital expenditures for rehabilitation and replacement have not increased as facilities have been added. A GAO review of 210 shore facilities found that 94 had various types and degrees of problems including physical deterioration, overcrowding, and other inadequacies due to the Coast Guard's changing missions.

Recommendations: The Secretary of Transportation should require the Coast Guard Commandant to (1) establish and issue uniform criteria for evaluating shore facilities, and (2) evaluate shore facilities periodically, using uniform criteria, so that appropriate action can be planned.

Agency Comments/Action

In commenting on the report, DOT reserved judgment both as to the extent of resources needed to meet mission standards and to the mission standards which DOT did not approve. In addition, the Coast Guard, along with DOT and OMB, are carrying out a zero based review of personnel needs. The agency agreed with the need to establish service-wide assessment criteria for the shore plant, and using these criteria to evaluate shore facilities periodically. The Coast Guard estimates that evaluation criteria for 60 to 70 percent of all shore facilities will be available by the end of calendar year 1982. According to the agency, this effort has been ongoing for several years and by the end of calendar year 1982, it is estimated that the majority of all Coast Guard facilities will be assessed and inventoried. However, the entire evaluation will not be completed until the 1984-85 time period.

Appropriations

Acquisition, construction, and improvements - Department of Transportation, United States Coast Guard
Operating expenses - Department of Transportation, United States Coast Guard

Appropriations Committee Issues

The Coast Guard's statutory responsibilities have increased over the years without a commensurate growth in resources. Further, the Coast Guard's budget has not grown to meet its needs for additional staff and vessels, and some shore facilities are inadequate. The Committee should focus attention on the Coast Guard's ability to meet its responsibilities.

DEPARTMENT OF TRANSPORTATION

UNITED STATES RAILWAY ASSOCIATION

Conrail's Reduced Capital Program Could Jeopardize the Northeast Rail Freight System

(CED-80-56, 3-10-80)

Budget Function: Transportation: Ground Transportation (0401)

At the end of calendar year 1979, only $645 million remained of the $3.3 billion total Federal commitment to the Consolidated Rail Corporation (Conrail). In its August 1979 business plan, Conrail proposed reducing its capital spending in 1980 and 1981 from its earlier business plan levels by about $379 million to stay within the currently authorized $3.3 billion. Conrail stated that this reduction was necessary because the Congress had not appropriated any additional funds. In August 1979, Conrail believed that deregulation and estimated traffic levels would provide sufficient funds to rejuvenate the capital program in 1982, but this projection was based on uncertain assumptions concerning regulatory reform.

Findings/Conclusions: If Conrail defers maintenance on its system and regulatory reform permits it to rejuvenate its capital spending programs in 1982, it probably can live within the $3.3 billion already authorized. However, the proposed cutbacks would pose an unacceptable risk to the Federal investment in Conrail. The resulting deterioration in Conrail's physical plant and the decline in the quality of service would erode the benefits already bought with Federal funds. If Conrail defers maintenance but does not get the regulatory relief it expects, the Government may have to provide more money in 1982 to rejuvenate the capital program. Conrail may be able to pay for its own capital programs sooner and thereby minimize the Government's investment if Conrail is provided with adequate funding to continue an appropriate capital investment program. However, if Conrail continues an appropriate capital program but does not get regulatory relief, the Government may have to continue its funding or seek another solution. Several options exist for dealing with the situation: the Congress could defer any action, pledge additional funds, enact regulatory reforms, or seek an alternative solution to rail problems in the Northeast. These options are not mutually exclusive, and the optimum response may employ two or more of the possible options.

Agency Comments/Action

Conrail disagreed with the conclusion that reduced capital spending creates an unacceptable risk to the Federal investment in Conrail. Conrail believed regulatory reform and operational improvements will enable it to rejuvenate its capital programs before any serious deterioration would occur. The U.S. Railway Association agreed with the GAO findings and conclusions. The Department of Transportation disagreed with the GAO analysis of the effects of Conrail's proposed 2-year reduction. The Department believed deregulation was preferable to continued funding for Conrail.

Appropriations

Payments for purchase of Conrail securities - United States Railway Association

Appropriations Committee Issues

The Committees should ensure that Conrail is maintaining its core system adequately to continue rail service in the northeast regardless of the final form the financial entity must assume.

DEPARTMENT OF TRANSPORTATION

UNITED STATES RAILWAY ASSOCIATION
CONSOLIDATED RAILWAY CORPORATION

Employee Protection Provisions of the Rail Act Need Change

(CED-80-16, 12-5-79)

Budget Function: (0401)
Legislative Authority: Regional Rail Reorganization Act of 1973 (P.L. 93-236).

The Regional Rail Reorganization Act authorized a $250 million fund to pay workers whose compensation or working conditions were adversely affected by the reorganization of bankrupt railroads into Conrail. After more than 3 years, the program showed that costs would be far greater than originally expected. Estimates of the eventual cost ranged from $884 million to $1.7 billion, but none of the estimates could be relied upon as accurate predictions of the total cost. It was expected that the fund would be depleted in late 1979. However, the law required employers to continue paying eligible employees regardless of the state of the fund.

Findings/Conclusions: One factor contributing to the high cost of maintaining the protection was the length of time employees were granted protection. Persons who were employed 5 or more years on the effective date of the Rail Act were protected until age 65, while other comparable federally funded employee protection plans limited coverage to 6 years. In addition, the Act did not provide for effective Federal management control and oversight of the program. The nine employers who paid protected employees had to interpret the law, prepare their own implementing procedures and instructions, and disburse Federal funds according to their own interpretations. Although GAO did not identify excessive errors, the program was believed to be too complex and to involve too much Federal money to allow it to continue without adequate Federal control and oversight. It was also believed that the provisions of the law made it difficult to manage properly and produced results not necessarily intended by the Congress.

Recommendations: The Congress should amend the Rail Act to (1) require employees to file for monthly displacement allowance benefits within a specified time; (2) limit an employee's monthly displacement allowance payments in any year to his or her annual guarantee; (3) require that the monthly displacement allowances for laid-off employees be reduced by the full amount of any outside earnings involving the same job skills; (4) permit Conrail to transfer surplus union employees skilled in certain kinds of work to job openings involving other skills; and (5) provide equal benefits for both union and nonunion employees in all areas.

Agency Comments/Action

Conrail, the Department of Transportation, the United States Railway Association, and the Railroad Retirement Board all generally agreed with the GAO findings and conclusions, but disagreed with specific recommendations to correct problems.

Appropriations

Rail labor assistance - Department of Transportation, Federal Railroad Administration

Appropriations Committee Issues

The Committees should ensure that the problems identified by GAO are addressed and corrected before further funding for this assistance.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Better Justifications Needed for Automated People Mover Demonstration Projects

(CED-80-98, 8-19-80)

Budget Function: Transportation: Ground Transportation (0401)

The Urban Mass Transportation Administration (UMTA), which provides financial and technical aid to develop and improve urban mass transportation, believes that downtown people movers could help solve the problems of increasing transit deficits, traffic congestion, and associated air pollution. In April 1976, UMTA announced its program to demonstrate the benefits of people mover systems in urban downtown areas. The objectives of this program are to test the operating cost savings automated guideway transit systems might deliver and to assess their economic impacts on central cities. In 1976, four cities were selected as demonstration cities. UMTA estimated that $220 million in Federal funds would be required to implement people mover systems in the four cities. UMTA also stated that three other cities would be permitted to develop people movers if they could do so with existing grant commitments. In 1977, Congress told UMTA to consider four more cities; UMTA also added another city to the list. A review of the program was undertaken, because the announced $220 million commitment for four new demonstration projects was to be funded from the UMTA discretionary capital grant resources, and because of the probability that the commitment would increase as project cost estimates and the number of projects increased. The review efforts were concentrated on the UMTA rationale for the program, the need for multiple projects, program goals, and proposed project evaluations.

Findings/Conclusions: UMTA had spent about $14.4 million on the nine projects through fiscal year 1979, and the May 1980 estimated Federal share of the projects was $675 million. UMTA has not adequately shown why each of the presently planned projects is needed to meet program objectives. UMTA officials believe that multiple projects are necessary to: (1) assure that at least one project is implemented; (2) test different technologies; (3) minimize the risk of failure to meet project expectations; and (4) reflect local differences such as climate and economic conditions, which might affect project results. GAO did not believe these arguments justified the potential $675 million Federal investment in the demonstration projects. UMTA intends to compare people mover performances and impacts with selected alternatives such as bus and rail. These comparisons may not be conclusive because the operating data of the transit alternatives will not reflect potential actions to improve their effectiveness and efficiency. Also, the UMTA selection criteria do not assure that all potentially competitive alternatives are compared with each people mover project. Provisions have not been made to obtain data on alternatives.

Recommendations: The Secretary of Transportation should direct the Administrator, UMTA, to: justify the need for each of the presently planned demonstration projects by specifically stating what program objectives are being addressed by each project and why these objectives cannot be met with fewer projects; and seek guidance from Congress if the congressionally directed projects are affected by this justification process. Further, the Secretary should direct the UMTA Administrator to: compare each people mover project with all potentially competitive transit alternatives; adjust the cost and performance data of transit alternatives for the effects of actions to improve their operating efficiency and effectiveness before comparing them with people mover projects; conduct studies of transit alternatives to develop cost and performance information, if it is not readily available; clarify the evaluation plan for determining why changes occur in such factors as ridership and congestion in people mover project areas; and evaluate economic impacts of transit alternatives as well as people movers.

Agency Comments/Action

The Department of Transportation said that four of the projects were added at congressional direction and are not necessary to meet demonstration project objectives. The Department said that four of the other five projects not congressionally directed are necessary to meet program objectives and that each will make a unique contribution toward meeting those objectives. The Department did not show, however, how each of these projects is unique and therefore necessary to meet program objectives. The Department said that its planned evaluation is adequate, but indicated that certain actions will be taken and that its evaluation plan is being revised.

Appropriations

Urban Mass Transportation Fund - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

The Committees should reevaluate their previous direction given to the Urban Mass Transportation Administration in view of the unspecified justifications for the projects which are likely to be built, the increased cost estimates since the program was announced in 1976, and the increasing concern about Federal budget deficits.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Communication and Management Problems Hinder the Planning Process for Major Mass Transit Projects

(CED-79-82, 6-5-79)

Budget Function: Transportation: Ground Transportation (0404)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.).

The Urban Mass Transportation Administration (UMTA) awards Federal grants to State and local authorities to plan and implement various mass transit projects. Nearly two-thirds of the $8.4 billion in capital grants awarded through fiscal year 1978 by this agency were for the construction, extension, or modernization of intracity rail systems. Federal funding authority for such investments is discretionary, so metropolitan areas must vie for available funds. Due to the potential demand for its funds and concern about its ability to finance these projects, UMTA since 1974 has required analysis of rail and nonrail alternatives when intracity rail projects are proposed so that a cost-effective option can be selected. This policy was formalized in September 1976. **Findings/Conclusions:** Even though UMTA had been requiring analysis studies of rail and nonrail alternatives to be made on major projects since 1974, UMTA has not developed guidelines to help project sponsors develop studies acceptable to UMTA. As a result of the lack of guidance and effective communication, project sponsors have conducted studies inconsistent with what UMTA wanted. **Recommendations:** The Secretary of Transportation should apply the September 1976 Federal policy on major urban mass transportation investments to all major projects unless specifically exempted by the policy. The Secretary should make major mass transit investment decisions only after significant deficiencies noted in alternatives analysis studies have been corrected. The Secretary should also direct the Administrator of UMTA, in addition to developing alternatives analysis guidance, to improve communication with all project sponsors by consistently monitoring progress of studies, providing prompt feedback to project officials, and requiring that all agreements and requirements are documented.

Agency Comments/Action

The Department of Transportation generally agreed with the GAO findings and conclusions and supported the recommendations. UMTA has also taken a number of actions which are directed at averting problems which are discussed in the report. UMTA is developing written technical guidance for the alternative analysis process which it expects to issue in September 1980.

Appropriations

Planning - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

The alternative analysis process, if effectively managed and applied to all major projects, is a useful and constructive tool to identify cost-effective mass transit projects. In its consideration of UMTA budget requests, the Committees should consider the alternatives analysis for the individual major transit projects for which UMTA is requesting budget authority and funding. Also, the Committees should determine the status of the technical guidance for the alternative analysis process which is planned for issuance in September 1980.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Metropolitan Atlanta's Rapid Transit System: Problems and Progress

(PSAD-80-34, 4-9-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Urban Mass Transportation Act of 1964.

A review was made of the status of development and performance of Metropolitan Atlanta's rapid transit system and the problems being encountered.

Findings/Conclusions: Although the Metropolitan Atlanta Rapid Transit Authority (MARTA) has been successful in completing project milestones close to its plan, management weaknesses and trade-offs have contributed to increased costs of $50 million over the initial estimate for one segment and delays in construction because contracts were awarded before rights-of-way were acquired and the design completed. Ineffective administration of the railcar contract has resulted in late delivery of cars, with cars currently being accepted 8 months behind schedule even though MARTA continues to make progress payments as if they were on schedule. Other problems include: replacement housing costing more than originally estimated, an inadequate warranty program, and authorizations which do not include restrictions and incentives for complete development or limit Government participation in cost overruns. In some instances, more thorough Urban Mass Transportation Administration (UMTA) review and guidance could have eliminated, or at least lessened, the management weaknesses of MARTA. However, MARTA has also demonstrated a commitment to effective management by establishing an independent internal audit function which UMTA should require other local transit authorities to adopt.

Recommendations: The Secretary of Transportation should direct the UMTA Administrator to: assure that local transit authority procurement and procurement-related practices and procedures are adequate before UMTA waives its prior review and approval requirements; incorporate restrictions and incentives limiting Government participation in cost overruns to extraordinary costs into its no-prejudice authorizations similar to those included in the MARTA phase A agreement; direct MARTA, in future procurements, to formally incorporate all contract changes into the contract; assure that contracts are being properly administered in accordance with contract provisions; develop a better understanding of warranties, prepare and implement guidelines to assure provisions are properly enforced; require that an organizationally independent internal audit function be established at other transit authorities receiving Federal grants; and disallow for Federal participation the cost of the replacement housing in excess of the established just compensation value.

Agency Comments/Action

UMTA agreed with all but one of the findings and recommendations. UMTA believes that it currently has adequate safeguards in place for no-prejudice authorizations. Under existing procedures these authorizations have an approved project budget, a maximum dollar limit, expiration dates, and Federal participation is strictly discretionary. Actions have been taken by UMTA to: (1) require improvements in procurement practices and procedures; (2) incorporate all contract changes into the contract; (3) administer contracts in accordance with their provisions; (4) review just compensation values for replacement housing; and (5) encourage transit authorities to adopt independent internal audit standards. However, UMTA stated that it cannot require transit properties to change their structure to accommodate such an audit group. UMTA is also considering the issuance of guidelines to grantees to assist them in administering contract warranty provisions.

Appropriations

Urban Mass Transportation Fund - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

The Committees should review UMTA no-prejudice authorizations to learn potential commitments for future funding. To reduce future operation and maintenance costs, UMTA should provide grantees guidance on warranty clauses for purchased equipment.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Need for More Federal Leadership in Administering Nonurbanized Area Public Transit Activities

(CED-78-134, 7-3-78)

Budget Function: Commerce and Transportation: Ground Transportation (0404)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601). Surface Transportation Assistance Act of 1978 (P.L. 95-599).

In November 1974, Congress amended the Urban Mass Transportation Act of 1964 to authorize $500 million for exclusive use for nonurbanized areas (less than 50,000 population) during fiscal year 1975 through 1980. The $500 million is available for planning, demonstration, and capital investments supporting small town and rural area transit services.

Findings/Conclusions: State and local officials believe that few requests for the $500 million have been made because of the absence of Federal financial assistance for projected operating deficits, a belief that Urban Mass Transportation Administration (UMTA) grant application procedures and requirements are too complex, the absence of knowledge about available UMTA financial assistance, and the absence of policy regarding Federal mass transit assistance. UMTA does not manage the $500 million set-aside as a separate program; it has no separate policy, procedures, personnel, grant delivery system, or organizational entity relative to transit assistance for small urban or rural areas. Although UMTA has established planning regulations which apply to nonurbanized areas, these regulations are not a substitute for policies and procedures which specifically identify Federal transportation objectives for nonurbanized areas and how Federal assistance can address them.

Recommendations: The Secretary of Transportaion should direct the Administrator of UMTA to: establish more specific policies and procedures for nonurbanized areas, evaluate grant application procedures to determine how they can be simplified, and evaluate whether current UMTA information dissemination methods are adequate.

Agency Comments/Action

In December 1978, Congress passed the Surface Transportation Assistance Act of 1978 (P.L. 95-599), which significantly altered the statutory basis for UMTA assistance to nonurbanized areas. This Act provided Federal funds on a formula basis to the States for funding of public transportation services in nonurbanized areas. The Act established the nonurbanized assistance as a separate effort with the direct involvement of the States. It also authorized the use of the funds to subsidize operating expenses. GAO believes that the provisions of the new legislation, when fully implemented, should overcome the major problems addressed in the report. However, as of August 1980, the program is still operating under emergency regulations and final regulations have yet to be developed. FHWA has been given the responsibility for administering this program.

Appropriations

Nonurban Formula Grant Program - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

The Committees should determine the progress that has been made in developing the final regulations and implementing the program.

DEPARTMENT OF TRANSPORTATION

Need for Uniform Security Measures in Transporting Arms, Ammunition, and Explosives

(LCD-78-237, 12-21-78)

Budget Function: National Defense: Department of Defense - Military (except procurement contracts) (0051)
Legislative Authority: 18 U.S.C. 842(j). Army Regulation 190-49. DOD Directive 5100.76-M. Naval Sea Operations Manual 2165, Vol. 1, ch. 7. Air Force Manual 75-1, ch. 12.

Arms, ammunition, and explosives receive various degrees of protection while in transit. Because these items continue to be sought by terrorist, dissident, and criminal groups, they are sensitive items, vulnerable to theft or loss. Mandatory regulations exist for storage but not for security on shipment of certain sensitive items. GAO compared the intransit security policies, procedures, and practices used by the military services for sensitive arms, ammunition and explosives. Shipments by commercial manufacturers, distributors, or other vendors, other than Department of Defense (DOD), were not governed by mandatory intransit security regulations.

Findings/Conclusions: Although the highest level of security protection is provided by the Army, the greatest number of losses is also experienced by the Army. Uniform intransit security procedures are needed, since shipments to non-DOD customers should be considered as vulnerable to theft or loss as DOD shipments. A study is needed to develop uniform standards and regulations, with input from representatives of affected public and private sectors. DOD has developed a manual of uniform standards and criteria for minimum intransit security, but until the Department of Transportation (DOT) issues mandatory regulations, the individual services must implement DOD's minimum requirements to ensure reasonable uniformity. An assessment of the costs of implementing the minimum standards is needed to ensure that funding will be available.

Recommendations: The Secretary of Transportation should work with Congress in preparing legislation needed to obtain the authority to issue mandatory, uniform regulations for uniform intransit security. The Secretary should also establish a study group made up of members from DOD, DOT and Treasury, and industry as well, to determine the levels of security required to protect sensitive arms, ammunition, and explosives during transit. On the basis of the study results, the Secretary should issue mandatory intransit security regulations. In the interim, the Secretary of Defense should monitor the implementation of the new DOD security manual provisions among DOD activities to insure that uniform minimum standards are followed. In addition, the Secretary should revise or supplement existing systems to accumulate data on intransit security costs for developing cost-benefit analyses to be used for determining and evaluating the desirability of continuing or modifying security procedures. Congress should enact legislation giving the Secretary of Transportation specific authority to issue mandatory regulations which will provide for uniform intransit security on shipments of sensitive arms, ammunition, and explosives.

Agency Comments/Action

The Secretary of Transportation did not agree with the recommendation that legislation be enacted giving the Secretary authority to issue mandatory regulations on intransit security. Also, Congress has not initiated action to prepare and pass this legislation. GAO continues to believe that mandatory regulations on transit security are required.

Appropriations

Department of Transportation, Office of the Secretary
Operation and maintenance - Department of Defense

Appropriations Committee Issues

The Department of Transportation does not plan to introduce legislation which will give the Secretary the authority to issue mandatory regulations which will provide for uniform intransit security.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Procurement of Rail Passenger Cars by the New Haven Railroad

(RED-76-15, 9-17-75)

Budget Function: Commerce and Transportation: Ground Transportation (0404)
Legislative Authority: Urban Mass Transportation Act of 1964, as amended (49 U.S.C. 1601).

The Urban Mass Transportation Administration (UMTA) granted Connecticut $49.6 million to help purchase 100 passenger cars from General Electric for $63.9 million.
Findings/Conclusions: GAO reported to the Secretary of Transportation that the procurement contract did not conform to sound contracting principles for the following reasons: (1) the payment schedule provided funds to the contractor in excess of the contractor's expenditure schedule, (2) payments were made without contract provisions which protect the Government and the grantee if the contract was not completed, and (3) a sole-source award was made without assurance to UMTA that adequate cost and pricing data had been submitted by the contractor.
Recommendations: It is recommended that UMTA develop more specific, third-party contracting procedures for use by grantees, prescribing conditions and limitations for advance payments and the negotiation of sole-source procurements.

Agency Comments/Action

UMTA is in the process of developing third-party contracting procedures which UMTA officials believe will comply with the requirements in the Federal Procurement Regulations. It is uncertain when the new procedures are to be issued.

Appropriations

Procurement - Department of Transportation, Urban Mass Transportation Administration

Appropriations Committee Issues

The adoption of contracting requirements for Federal grantees, similar to the requirements in the Federal Procurement Regulations, would assure better control over awards of contracts financed under grant programs and reduce Federal interest costs from unnecessary advance payments. In approving budget requests for urban mass transportation, the Committees should determine whether new UMTA third-party contracting procedures have been issued.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

Administrative Conference of the United States Needs Better Project Management

(GGD-80-13, 2-4-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Administrative Conference Act (P.L. 88-499).

The Administrative Conference of the United States (ACUS) was established in 1964 as an advisory body with the aim of making administrative procedures fairer and more efficient. It has directed its activities toward understanding and improving the administrative process. Generally, ACUS projects tend to be small. Through its research projects ACUS has developed recommendations for administrative improvements and an information base for its other activities.

Findings/Conclusions: Many ACUS projects, intended to improve administrative procedures, have not led to recommendations or other tangible results. Even when projects led to recommendations, the feedback on their implementation has been limited. ACUS projects are not planned in a systematic manner. No long-range planning of projects exists to meet established objectives nor is there a council or committee review process to select projects. ACUS documentation of projects is inadequate. Not all project costs are included in project costs reported to Congress. ACUS lacks the staff to comprehensively evaluate all its project recommendations. Attempts to evaluate agency implementation of ACUS recommendations have been limited to independent agencies. In the past, the Office of Management and Budget (OMB) has served as a focal point to determine whether executive departments are implementing another agency's recommendations and could do so for ACUS, as well. This would permit ACUS staff to clarify and verify agency responses rather than simply request such responses. ACUS has not assessed the impact of implemented recommendations. Such feedback could assist ACUS in planning future projects.

Recommendations: ACUS should: conduct long-range planning of future projects which would include a council or committee review, and consider cosponsorship with other agencies; improve documentation to better account for project costs and schedules; request the Director of OMB to serve as a focal point for determining executive department implementation of ACUS recommendations; and include project evaluations in planning for future projects.

Agency Comments/Action

Although the agency disagreed with some of the conclusions, it agreed to implement all of the recommendations.

Appropriations

Independent agency - Administrative Conference of the United States

Appropriations Committee Issues

The Committees should assure that the Conference implements the recommendations of this report.

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS

The Federal Bail Process Fosters Inequities
(GGD-78-105, 10-17-78)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752)
Legislative Authority: Bail Reform Act of 1966. Speedy Trial Act of 1974. 18 U.S.C. 3154. 18 U.S.C. 3146. United States v. Cramer, 451 F.2d 1198, 1200 (5th Cir. 1971). United States v. Leathers, 412 F.2d 169 (D.C. Cir. 1969). United States v. Gillin, 345 F. Supp. 1145, 1146-47 (S.D. Tex. 1972). United States v. Bigelow, 544 F.2d 904, 907-08 (6th Cir. 1967). United States v. Wind, 527 F.2d 672, 674-74 (6th Cir. 1975). Blunt v. United States, 322 A.2d 579 (D.C. App. 1974). United States v. Kirk, 534 F.2d 1262, 1280-81 (8th Cir. 1976). United States v. Gilbert, 425 F.2d 490, 491-92 (D.C.C. 1969). United States v. Bishop, 537 F.2d 1184, 1186 (4th Cir. 1976). United States v. Thompson, 452 F.2d 1333, 1340-41 (D.C.C. 1971). Allen v. United States, 386 F.2d 634, 636 (D.C.C. 1967).

Each of the 55,000 criminal defendants who annually enter the Federal court system must have a bail hearing before a judicial officer, usually a magistrate. This hearing is important because the magistrate decides the bail conditions under which the defendant may obtain release prior to trial. Pretrial release (bail) practices in Federal district courts were reviewed to determine if the bail system is used to cause a high rate of appearance without unnecessarily detaining defendants.

Findings/Conclusions: Judicial officers have substantial discretion in making bail decisions. As a result, they set widely varying, and in some cases overly restrictive, release conditions because they use bail for differing purposes and weigh the criteria of the Bail Reform Act differently. Consequently, some defendants are jailed, have to pay to be released, or are otherwise restricted while other similarly charged defendants are not so restricted. Judicial officers need more complete and reliable information when making bail decisions. The Federal judiciary has not established a system to provide judicial officers with feedback on the results of their bail decisions in relation to the results of other judicial officers and to monitor and evaluate the bail process. The usefulness of Pretrial Services Agencies' (PSA's) supervision and social services functions has not been demonstrated; the Administrative Office of the Courts' evaluation of PSA's will be useful but limited.

Recommendations: The Chief Justice, in his capacity as Chairman of the Judicial Conference, should work with the Conference, the Director of the Administrative Office of the U.S. Courts, and the Federal Judicial Center to develop and implement a program to assist judicial officers in making sound and consistent bail decisions. He should also work with the Judicial Conference and the Administrative Office of the U.S. Courts to: develop a system to monitor and evaluate bail activities, provide information to judicial officers on the results of bail decisions so they may evaluate their performance against that of other judicial officers, and receive periodic reports on the status and problems in the bail area to assist in developing improvements in the bail process. The Judicial Conference should provide the means for judicial officers to have more complete and accurate information on defendants when making bail decisions.

Agency Comments/Action

The Administrative Office commented that the inconsistencies in bail recommendations and types of supervision noted in the report are inherent and intended in the PSA experimental project. It also stated that its research methodology for the PSA evaluation does not assume that any significant changes in bail variables result from the PSA operation. Their study has built-in controls to account for changes due to other factors.

Appropriations

Administrative Office of the U.S. Courts

Appropriations Committee Issues

Before providing resources on a large scale, Congress should assess whether the pretrial service agencies have improved the bail process.

ARCHITECT OF THE CAPITOL

LIBRARY OF CONGRESS

The Library of Congress' New Madison Building: Reasons for, and Effects of, Delays and Escalating Costs

(LCD-79-330A, 9-17-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Supplemental Appropriations Act, 1966 (P.L. 89-309; 79 Stat. 1133). Supplemental Appropriations Act, 1961 (P.L. 86-651; 74 Stat. 509). Legislative Branch Appropriation Act, 1970. Legislative Branch Appropriation Act, 1979 (92 Stat. 790). P.L. 86-417. P.L. 86-628. P.L. 89-260. P.L. 91-214. P.L. 94-219. P.L. 95-355. 2 U.S.C. 141.

When the Library of Congress James Madison Memorial Building was approved in 1965, it was to cost $75 million. Currently, the Architect of the Capitol is requesting funds that will bring the cost to over $134 million. The original completion date was January 1971. The Architect now estimates completion by January 1980. However, the contractor doing the interior finishing work estimates May 1981. Design and construction of the building was done in overlapping phases, which made it difficult to ascertain the net effect of a delay in one of the phases.

Findings/Conclusions: The Architect is requesting an additional $3.5 million, which will raise total authorizations to $134,175,000. This additional amount may not be sufficient to complete the project because it is based on an estimated completion date that may not be met, and because potential claims from the contractor doing the interior finishing may exceed the available contingency allowance. The building will not resolve all of the Library's long-term space needs because office-type activities are also planned for the building.

Agency Comments/Action

The money still has not been appropriated.

Appropriations

Construction - Architect of the Capitol

Appropriations Committee Issues

The Architect is requesting $3.5 million to complete the project. GAO believes it may not be sufficient because it is based on an estimated completion date that cannot be met and because potential claims may exceed the available contingency allowance.

ARCHITECT OF THE CAPITOL

Renovation of House Office Building Annex No. 2 by the Architect of the Capitol

(LCD-79-319, 7-19-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Additional House Office Building Act of 1955 (P.L. 84-24; 40 U.S.C. 193a). (P.L. 94-6; 40 U.S.C. 175).

The Architect of the Capitol currently estimates that the cost of renovation of House Office Building Annex No. 2 will be about $26.5 million, which is an increase of about $12 million over the initial estimate that was made in January 1975. Some of this increase is attributable to inflation and the need to perform the work in phases. The Architect has avoided even greater cost increases by reducing the scope of the project. Most of the scope reductions involve remodeling rather than replacing existing equipment or systems; not replacing the roof; refurbishing, rather than replacing, the elevators; and combining the smoke evacuation system with the heating, ventilation, and air conditioning system. Even though the overall effect of these scope reductions on project costs would be substantial, GAO believes these scope changes may reduce the quality of the renovation effort and cause higher building operation and maintenance costs. In addition, GAO estimates that $26.5 million will not be enough to finish the project. Finally, it was noted that the project will not be completed on schedule because the occupancy level in the building during renovation has been higher than expected. The Architect believes that a January 1981 completion date will allow sufficient time to compensate for potential problems, but GAO would allow for the probability of additional delays.

Findings/Conclusions: Current estimates to renovate House Office Building Annex will be about $26.5 million, an increase of about $12 million over the initial estimate. Some of the increases are attributed to inflation. Other factors are understated initial cost estimate; unrelated costs charged to the project for operation and maintenance; and estimates that include facilities not originally planned. The Architect has avoided even greater costs by reducing the scope of the project.

Agency Comments/Action

The Project has still not been completed.

Appropriations

Construction - Architect of the Capitol

Appropriations Committee Issues

The Committees should determine whether the amounts appropriated are sufficient to complete the project.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Montana's Libby Dam Project: More Study Needed Before Adding Generators and a Reregulating Dam
(EMD-80-25, 11-20-79)

Budget Function: Natural Resources and Environment: Water Resources (0301)

The Army Corps of Engineers has proposed modifications to the Libby Dam in Montana to increase its generating capacity. The increased capacity would not produce more electricity than the existing facility, but would help meet high-demand daytime needs. The project has been the subject of controversy for several years. The Corps has contended that it is necessary to meet the peak power needs of the area. However, others have questioned whether the project would be economically and environmentally sound.
Findings/Conclusions: In making the benefit-cost analysis of the proposed Libby Dam project, the Corps used methods which no longer apply in the Pacific Northwest. Use of this methodology resulted in an overestimation of the benefits of the project. The Corps planned to undertake a new analysis using more precise data and production cost model concepts. State officials and others felt that river fluctuation limits should be reduced for safety reasons and to lessen the effects on the fish population. Such a reduction would impair the operating flexibility of the main dam and decrease the power benefits at the reregulating dam. No studies or other evidence have shown the need to reduce the fluctuation limits, and the fishery below the dam was apparently flourishing. The Corps did not fully analyze five alternatives to the proposed project. These alternatives included: (1) combustion turbines similar to aircraft engines for driving electric generators; (2) cogeneration using heat from industrial operations to power the generators; (3) power exchanges using the intertie that stretches from California to Washington; (4) load management which smooths out the peaks in electricity use by means of remote control switches, thermostats and circuit breakers in homes and businesses; and (5) peak pricing options involving increased power prices during periods of heaviest demand.
Recommendations: The Secretary of the Army should direct the Chief of Engineers to recompute and to report to the Congress the costs and benefits for the project, using the production cost model approach, and taking care to select the authorized discount rate, valid power values, and all applicable costs.

Agency Comments/Action

As agreed, GAO did not obtain written agency comments. The matters presented in the report, however, were discussed with appropriate agency officials who agreed that further studies are warranted. The Corps has performed further studies.

Appropriations

Department of the Army, Corps of Engineers (Civil Functions)

Appropriations Committee Issues

The Committees should look closely at appropriating money for the Libby Project until the entire project has been authorized by Congress.

DISTRICT OF COLUMBIA

The District of Columbia Government Should Determine Its Work Force Needs

(FPCD-79-21, 4-4-79)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: P.L. 91-405.

Over half of the budget of the District of Columbia is used for personnel, making cost control in this area very important. In 1970, Congress established the Nelsen Commission to determine ways of promoting economy and efficiency while improving services within the District government. Among other things, it recommended that every agency with over 50 employees determine its staffing needs annually, based on rational work measurement methods, and that the Executive Office of the Mayor control the system used to determine staffing levels.

Findings/Conclusions: The District's Office of Budget and Management Systems has not sought staffing plans from the commissions and agencies as the Nelsen Commission advised. GAO reviewed six District departments and found that five of them do not set work force requirements or prepare staffing plans, but base these decisions on experience and managerial judgment; the sixth department had a formal staffing program but only for its own use. Throughout the District government, only annual increases in staffing over the previous year's level need to be justified, and even this provision excludes positions funded by Federal grants. The District controls its work force by imposing arbitrary ceilings on employment without regard to actual needs, because planning would require a large staff. Although work measurement occurs in various departments on a fragmentary basis, the District has no policy or office to regulate it. The importance of work measurement in staff planning lies in the efficiencies and savings it can produce, but it is irrelevant where employment levels have been set by court orders, union contracts, and political pressure. Without systematic measurement and planning procedures, the District does not know how many employees it needs or how to allot them. Also, approaches to the problem show too much variation among government departments.

Recommendations: The Mayor should direct the establishment of a work force planning system based on method studies and work measurements, including statements of goals and responsibilities for each department and agency, and providing for annual staff planning reports as outlined by the Nelsen Commission. This system should identify essential work to be performed by the following categories of personnel: full-time, permanent, positions funded under Federal grant and nonappropriated sources, part-time, temporary, and special employment types. The Mayor should also prepare a plan for implementing a work force planning system, including a schedule of necessary resources for its realization.

Agency Comments/Action

District officials said they support and will implement the basic thrust of the recommendations.

Appropriations

Operation and maintenance - District of Columbia

Appropriations Committee Issues

Agency workforce planning should identify the number of employees needed to effectively and efficiently accomplish the Government's essential work.

DISTRICT OF COLUMBIA

DEPARTMENT OF HUMAN RESOURCES

Welfare Payment Reduced: An Improved Method for Detecting Erroneous Welfare Payments

(GGD-78-107, 2-5-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

The Department of Health, Education, and Welfare (HEW) requires that all Aid to Families with Dependent Children (AFDC) welfare cases be reviewed every 6 months to determine continued eligibility and correctness of payments. According to the District of Columbia, limited staff allowed only 20 percent of its AFDC cases to be reviewed. It needed an effective method to identify potential error cases to permit more efficient use of manpower, to increase the number of error cases reviewed, and to materially reduce errors and incorrect payments.

Findings/Conclusions: Working with the District of Columbia's Department of Human Resources, GAO developed three formulas that assign computer-derived numerical scores to cases that need to be reviewed and rank them in order of their error potential. The methods will help the District make better use of staff by having them concentrate their reviews on correcting cases most likely to be in error, remove ineligible recipients from the welfare rolls, correct overpayments and underpayments to eligible recipients, and accumulate information to increase caseworker productivity and generally improve welfare program administration. The District reviewed only 15 percent of its welfare cases from May 1977, when it started using one of the formulas, through April 1978. During that period, erroneous welfare payments were reduced by $3.5 million, or nearly double the amount that was possible using its methods. Other results will be reductions in Medicaid and food stamp benefits paid to erroneous AFDC cases. Because conditions change over time, the formula must be updated to ensure its continued usefulness in identifying welfare cases with high potential for error. The approach used to develop the formulas can be used by State and local governments. Similar formulas would be useful to most jurisdictions and particularly useful to those that do not review all cases every six months. Their use should produce for them benefits similar to those of the District. Also, the use of the formulas by State and local governments could help HEW achieve, nationwide, reductions in incorrect welfare payments. The formulas should be used as a supplement, and not a substitute, for complying with HEW regulations requiring all cases to be reviewed every 6 months.

Recommendations: The Secretary of HEW should distribute this report to State and local governments and emphasize to them that using formulas similar to the ones GAO developed could help in reducing incorrect welfare payments.

Agency Comments/Action

The Secretary of HEW advised GAO in August 1979 that the GAO formulas were made available to State welfare officials during a national conference on case workload management held in April 1979 to discuss various methods for potential application within their States. GAO was advised in April 1980 that certain States have expressed an interest in error case identification methods.

Appropriations

General operating expenses - District of Columbia, Department of Human Services

Appropriations Committee Issues

The District's Department of Human Resources must continue its efforts to identify and correct erroneous welfare payments. HHS should continue to emphasize to States the importance of making use of proven error case identification methods so that erroneous welfare payments can be reduced.

DISTRICT OF COLUMBIA

EXECUTIVE OFFICE OF THE MAYOR
OFFICE ON AGING

Financial Audit of the District of Columbia Office on Aging

(GGD-80-70, 7-17-80)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: Older Americans Act of 1965 (42 U.S.C. 3001 et seq.).

GAO reviewed the financial operations of the District of Columbia's Office of Aging, particularly programs operated by nonprofit community-based organizations which receive Office funds to provide services such as nutritional meals to the District's senior citizens. For the fiscal year 1978, the Office received about $2.7 million in Federal grants and about $600,000 in District appropriated funds to operate programs for the elderly.

Findings/Conclusions: A review of selected financial transactions and the results of financial audits conducted by certified public accountants showed that the nonprofit organizations (subgrantees) generally accounted for funds properly. While no fraudulent use of funds was found, about $8,600, including about $5,300 associated with Office programs, was reportedly embezzled at one of the subgrantees before the review began. The Office on Aging has neither closely monitored subgrantee operations nor regularly conducted onsite evaluations. GAO found instances where expenditures were improper or questionable; participants' contributions were not properly accounted for, safeguarded, and deposited; expenditures were not adequately supported; and contract records were incomplete. Office on Aging and subgrantee officials assured GAO that these weaknesses would be corrected.

Recommendations: The Executive Director, Office of Aging, should: (1) establish procedures for monitoring the activities and records of subgrantees to ensure that grant funds are spent for intended purposes; (2) establish procedures to require timely receipt and analysis of public accountant audit reports, management letters, and subgrantee fiscal reports; (3) establish procedures to assure that needed corrective actions are taken on reported financial deficiencies before additional funds are provided; and (4) seek reimbursement, as appropriate and to the extent practicable, for unauthorized uses of program funds.

Agency Comments/Action

In commenting on this report in June 1980, the Executive Director, Office on Aging, stated that he agreed with the report's findings and recommendations. In addition, he stated that improvements in the Office's management and control procedures have already been completed. Specifically, the Executive Director said that the Office: (1) has improved its grant application forms and procedures; (2) now monitors subgrantees onsite at least three times each year and the results are used as part of the grant reapplication review process; (3) submitted a fiscal year 1981 budget request that provides for additional staff whose primary functions will be in the areas of monitoring and assessments; and (4) has issued audit guidelines for use by subgrantees and their independent auditors in planning and conducting the required audits. The guidelines are based on the GAO "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." The Executive Director stated that the GAO audit was instrumental in getting the Office's subgrantees to accept the audit guidelines for their fiscal year 1979 financial audits.

Appropriations

General operating expenses, human support services - District of Columbia

Appropriations Committee Issues

The District of Columbia Government must effectively monitor subgrantee operations, through regular site visits and evaluations, to ensure that grant funds are spent for intended purposes.

DISTRICT OF COLUMBIA

OFFICE OF THE CITY ADMINISTRATOR

Delays in Developing and Implementing the District of Columbia Government's Elements of a Comprehensive Plan for the National Capital

(GGD-80-18, 2-12-80)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

The comprehensive plan for the National Capital will guide the District of Columbia's future development including land use, housing, transportation, health, social services, and the environment. Before Home Rule, the National Capital Planning Commission was responsible for development of all or parts of such a plan. That group proposed a plan in 1967, but as of June 30, 1974, all or parts of only 4 of 19 plan elements had been adopted because of executive work sessions which overburdened Commission members and Commission staff working on other matters. Under Home Rule, the Mayor of the District of Columbia was made responsible for coordinating planning activities and preparing and implementing the District's elements of a new comprehensive plan.

Findings/Conclusions: The District has experienced delays in developing and implementing its comprehensive plan elements. An original completion date, set for September 1978, was extended to late 1980 because of delays. According to District officials, the revised completion date will not be met and a new plan completion date has not been established. Time-consuming steps involved in the plan's development process; lack of adequate planning staff; and failure, in the past, to give adequate priority to municipal planning have all contributed to delays in the plan's development. GAO felt that the District should establish and monitor formal completion timetables and determine definitively the number of elements to be included in the plan. The District and the National Capital Planning Commission differ on the timing of the Commission's review of plan elements. Because of this, the goals and policies element approved by the District in October 1978 had not been implemented.

Recommendations: The Mayor of the District of Columbia should: (1) establish and monitor a realistic schedule for completing the district's comprehensive plan elements including appropriate benchmarks and timeframes for each phase of the plan's development; (2) work with the National Capital Planning Commission and the Council to reach agreement on the timing of the Commission's review of plan elements; and (3) give top priority to implementing the goals and policies and land use elements.

Agency Comments/Action

In commenting on this report in December 1979, National Capital Planning Commission and District officials stated that agreement had been reached on the timing of the Commission's review. The District's Assistant City Administrator said his office is contracting with a management consultant firm to assist in developing the plan and completion milestones. He said a composite plan, which will include elements such as land use and transportation, will be prepared during the next 2 years for submission to the Council in late 1981.

Appropriations

General operating expenses, executive direction and support - District of Columbia Government

Appropriations Committee Issues

The Committees should direct the District of Columbia Government to continue to develop and implement its elements of a comprehensive plan for the National Capital. The lack of such a plan could hinder the District from encouraging private sector development and from processing zoning changes.

DISTRICT OF COLUMBIA

OFFICE OF THE CITY ADMINISTRATOR

GAO Observations on the District of Columbia's Municipal Bond Program
(GGD, 4-17-79)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act; (P.L. 93-198).

The District of Columbia plans to establish a municipal bond program. The District had $1.23 billion of outstanding debt at the end of fiscal year 1977 and it estimates borrowings will increase to about $2.55 billion at the end of the fiscal year 1985. The expected financial commitment through 1985 will bring the city closer to its legal debt ceiling. This condition requires a system that prevents unnecessary borrowings and costs, and insures funding of projects that support high priority city-wide goals.

Findings/Conclusions: The District's capital project planning is conducted at each agency, and is directed toward meeting agency goals, not city-wide goals. There is no list of city-wide priorities and no guarantee that limited funds available are used to finance high priority projects. Project justifications, scopes of work, and cost estimates have not been complete and accurate. Guidelines used to determine which items qualify for the capital budget may not be sufficient to exclude operating items from the capital budget.

Recommendations: The District needs to improve its capital project planning system by: developing project plans that meet city-wide goals as well as individual agency goals; establishing priorities to aid in selecting projects for construction; insuring that project justifications are complete and based on reliable and accurate data; and revising guidelines for distinguishing between capital and operating items. The District needs to issue procedures that clearly delineate responsibilities for administering the bond program and to establish guides to aid personnel in carrying out related day-to-day activities. Also, the District needs to make accurate estimates of issuing water and sewer revenues to support the soundness of issuing revenue bonds.

Agency Comments/Action

In May 1979, the City Administrator stated that the District was in the process of selecting a financial advisor to work with the District staff and the bond counsel in: (1) formulating comprehensive debt policies and explicit procedures; (2) refining the capital programming process to ensure compatibility with debt management; (3) analyzing existing capital structure, debt capacity, and financial environment; and (4) formulating the first stage of a comprehensive debt issuance program for long- and short-term general obligation and revenue debt. The Administrator said that the District had begun to develop a general plan which will reflect policy direction and District-wide goals and priorities. These priorities, which will determine the timeframe in which projects are to be initiated, will be communicated to each agency. Also, capital improvement programming procedures will be examined and, if necessary, revised to correct problems in completeness of project justifications, scopes of work, and accuracy and reliability of cost estimates. Increases in a project budget will be requested through a Congressional budget submission. Through anticipated refinements in the capital improvement programming process, the District will insure that inclusion of equipment as capital items is consistent with the Home Rule Act. Finally, the Administrator said that a new computer system for water and sewer activities will include revenue estimating capabilities and will provide accurate revenue estimates.

Appropriations

Executive direction and support, general operating expenses - District of Columbia

Appropriations Committee Issues

The District should continue its efforts toward developing its bond program and improving its capital improvement programming procedures, and complete these efforts before attempting to market its bonds.

DISTRICT OF COLUMBIA

OFFICE OF THE CITY ADMINISTRATOR

Observations on Reported Deficit in District of Columbia Government Operations

(GGD-80-85, 6-23-80)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (0852)
Legislative Authority District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

Inquiries were made into the reported and widely discussed $284.4 million cumulative deficit in the District of Columbia's general fund. The deficit, shown on the accrual basis of accounting, was included in an audit report on the District's financial statements as of September 30, 1979. Questions raised concerned whether the reported $284.4 million deficit represented a real deficit. Some views held that the deficit is more of the magnitude of $90 million.
Findings/Conclusions: In examining the general fund deficit, GAO found that the District's independent accountant and its financial advisor attributed the deficit to the change in the District's budgeting process in 1970 from an obligation basis to a cash basis. This method includes the practice of carrying current liabilities forward to subsequent years, which contributed to an accumulated deficit on an accrual basis of $284.4 million for the District. The District financed the deficit through a series of short-term expedients which are generally no longer available. Also, GAO found that the total deficit in the general fund does not represent a short-term need for cash. Included in the deficit are: (1) a $39.6 million liability for leave due to employees; (2) a $67.7 million liability for taxes collected but applicable to future months; and (3) a $87.5 million interest payable on long-term debt. If the deficit is expected to show the District's need for funds in the short term, the deficit amount would be about $89.6 million. However, this amount is not definite since it is possible that some of the other items reported on the consolidated balance sheet contain amounts which would further reduce the amount needed in the short term.

Agency Comments/Action

The agency was not required to comment on this report.

Appropriations

General operating expenses, executive direction and support - District of Columbia

Appropriations Committee Issues

The District of Columbia must identify that portion of the deficit which represents a need for funds in the short term in order to develop a plan to meet such needs and in order to properly formulate future years' budget requests.

ENVIRONMENTAL PROTECTION AGENCY

Air Quality: Do We Really Know What It Is?

(CED-79-84, 5-31-79)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Clean Air Act. Clean Air Act Amendments of 1970. Clean Air Act Amendments of 1977.

Reliable and comparable air quality data are critical to Environmental Protection Agency (EPA) regulation and enforcement efforts. Through 1986, an estimated $248 billion will be expended for air pollution abatement programs.

Findings/Conclusions: Although progress has been made in improving air quality, EPA efforts to develop a standardized, comprehensive air monitoring system have been slow and often ineffective. Because of a delay in the promulgation of recent regulations, implementation of such a system will probably not be achieved until the mid-1980's. The reliability of some of the air quality data currently used to assess national progress toward standards, develop trends, and establish control strategies, is questionable. Of 243 monitoring stations reviewed, 81 percent had one or more problems, such as incorrect situation of the monitors or equipment in use which was not EPA certified, which could adversely affect the reliability of data. These problems stem from the fact that monitoring is being carried out by State and local agencies, using systems originally designed to meet their individual needs.

Recommendations: The EPA should: conduct a thorough evaluation of current air monitoring systems; provide technical assistance to State and local agencies in preparing their implementation plans; and concentrate its efforts and resources in areas most adversely affected by air quality designations, taking necessary precautions in decisionmaking until sufficient, accurate data are available. The appropriate congressional committees or subcommittees should hold oversight hearings to explore the progress being made in implementing the air monitoring regulation issued by EPA in May 1979, and to identify the additional actions needed to assure successful completion of the goals of clean air legislation.

Appropriations

Enforcement, monitoring, and data analysis - Environmental Protection Agency

Appropriations Committee Issues

Air quality data used by EPA in making important health and economic related decisions is of an unknown quality. EPA should therefore apprise the Congress as to when and at what cost a reliable, comprehensive air monitoring program will be operational and producing reliable data.

CONTENTS

Matters Affecting Appropriations of All or Most Federal Departments and Agencies 1 1/A6

Departments

Agriculture 27 1/C4
Commerce 60 1/E9
Education 76 1/F11
Energy 84 1/G5
Health and Human Services 128 2/C8
Housing and Urban Development 181 2/G5
Justice 192 3/A3
Labor 207 3/B4
State 224 3/C7
Interior 227 3/C10
Treasury 239 3/D8
Transportation 251 3/E6

Agencies and Other Organizations

Administrative Conference of the United States 276 3/G3
Administrative Office of the United States Courts 277 3/G4
Architect of the Capitol 278 3/G5
Corps of Engineers (Civil Functions) 280 3/G7
District of Columbia Government 281 3/G8
Environmental Protection Agency 287 3/G14
Farm Credit Administration 300 4/A14
Federal Communications Commission 301 4/B1
Federal Emergency Management Agency 302 4/B2
Federal Maritime Commission 304 4/B4
General Services Administration 305 4/B5
Government Printing Office 316 4/C2
Interstate Commerce Commission 317 4/C5
Legal Services Corporation 322 4/C8
Library of Congress 323 4/C9
National Aeronautics and Space Administration 324 4/C10
National Transportation Safety Board 326 4/C12
Office of Management and Budget 327 4/C13
Office of Personnel Management 334 4/D6
Securities and Exchange Commission 351 4/E9
Small Business Administration 353 4/E11
Tennessee Valley Authority 361 4/F5
Veterans Administration 362 4/F6

Matters Affecting Selected Departments and Agencies 369 4/F13

Index to Departments, Agencies, and Other Organizations 449 5/E10

ENVIRONMENTAL PROTECTION AGENCY

Assessment of Allegations Involving the Environmental Protection Agency's Kansas City Regional Office

(CED-80-17, 10-19-79)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Intergovernmental Personnel Act of 1970.

A Congressman requested a review of procurement and personnel practices at an Environmental Protection Agency (EPA) regional office. Newspaper allegations of improper practices had been evaluated by EPA. The GAO review was sought to determine the validity of the allegations and the adequacy of the EPA evaluations.

Findings/Conclusions: GAO found that the regional procurement and personnel operations were generally run effectively. Regulations and procedures were usually followed, although some processing errors occurred and yearend procurements were not adequately controlled. The regional administrator was involved in a small number of procurement and personnel cases where regulations or procedures were not followed and staff advice was disregarded. Morale problems existed because of the administrator's management style, staff reassignments, and involvement in administrative activities. EPA had appointed an individual with a limited background in dealing administratively with large, complex organizations, and then failed to provide direction and support. The EPA reviews were narrow in focus, poorly coordinated, and did not fully explain why administrative or management problems occurred.

Recommendations: The EPA Administrator should establish a program to provide administrative direction and support to regional administrators who are not experienced in Federal regulations, policies, and procedures and periodically assess their performance; determine the extent and causes of the region's morale problems and take action to resolve them; and instruct the Kansas City regional administrator to carefully follow procurement and personnel regulations, particularly in cases which may involve former associates. The EPA Administrator should require the regional administrator in Kansas City to monitor more closely yearend procurement spending, including backdating, and establish a procurement operation at the Kansas City, Kansas, laboratory for purchases under $500. The EPA administrator should require the procurement specialist to determine the causes for procurement processing errors; discuss tentative findings with the procurement staff when reviews are completed; and recommend corrective action to preclude the problems from recurring, possibly using successful practices in other procurement centers as examples. The EPA Administrator should require procurement management to respond in writing to the procurement specialist's recommendations.

Agency Comments/Action

EPA viewed the GAO assessment as comprehensive and fair. EPA accepted each report recommendation and agreed to carry them out.

Appropriations

Agency and regional management - Environmental Protection Agency
Abatement and control - Environmental Protection Agency
Enforcement - Environmental Protection Agency
Research and development - Environmental Protection Agency

Appropriations Committee Issues

Yearend procurement spending should be monitored more closely.

ENVIRONMENTAL PROTECTION AGENCY

Hazardous Waste Management Programs Will Not Be Effective: Greater Efforts Are Needed

(CED-79-14, 1-23-79)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901). Resource Recovery Act of 1970 (P.L. 91-512).

The United States has numerous hazardous waste sources scattered throughout the nation, producing 56 million tons annually. These include industrial wastes, agricultural chemical residues, and chemical or pathological wastes from hospitals and laboratories. They occur as solids, liquids, powders, and sludges, and represent a prodigious disposal problem. GAO reviewed the Environmental Protection Agency's (EPA) hazardous waste management plans and programs and the necessary resources to support them. GAO also visited 10 State environmental protection organizations, contacted officials in 16 other States, and GAO also met with representatives of industrial associations, trucking companies, and waste management firms.

Findings/Conclusions: Generally, the States lack the staff and funds to implement hazardous waste requirements for health and environmental safeguards. Most States recognize the need to control waste, but lack the requisite controls, do not know the quantities produced in their jurisdictions, and are ignorant of present means of disposition. In fact, none of the States surveyed had fully identified its hazardous waste generators or believed it had an adequate enforcement program. EPA has been unable to obtain the funding authorized for implementing disposal programs, so assistance promised to the States has not been provided. Many States will not accept the responsibility for fulfilling their obligations without Federal financial and technical assistance; in such cases, EPA is required to step in and operate the programs directly. Currently, there is no long-term funding source available for hazardous waste disposal at any level of government, but fee systems are a possible alternative. EPA regional officials lack the staff to authorize, review, monitor, and provide technical assistance to State programs. Most EPA regions cannot help States draw up regulations, orient industry and the public concerning requirements, or review disposal sites for environmental soundness.

Recommendations: EPA should encourage the States to develop self-supporting funding, such as fee systems, for operating hazardous waste management programs, and model legislation should be developed for State legislatures to establish fee systems. EPA should also request that Congress appropriate the necessary funds for State hazardous waste programs beyond the fiscal year 1979 expiration date, and amend the Resource Conservation and Recovery Act of 1976 to include a fee system to cover costs when States cannot or will not meet the responsibility, and EPA is compelled to take responsibility for the State's program.

Agency Comments/Action

Additional funding is under consideration for the EPA Hazardous Waste Program area. Additionally, Congress is actively considering the establishment of a hazardous waste program fee system.

Appropriations

Solid and hazardous waste programs - Environmental Protection Agency

Appropriations Committee Issues

The necessary staffing and funding levels needed by EPA to implement the hazardous waste portions of the Resource Conservation and Recovery Act of 1976 should be provided, including provisions for the establishment of a fee system.

ENVIRONMENTAL PROTECTION AGENCY

Indoor Air Pollution: An Emerging Health Problem

(CED-80-111, 9-24-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Clean Air Act Amendments of 1977. Toxic Substances Control Act.

While Government and industry have concentrated on cleaning up the Nation's outdoor air, they have paid little attention to the quality of indoor air in the nonworkplace. Harmful pollutants have been found in various indoor environments in greater concentrations than the surrounding outdoor air. In some cases, indoor pollution exceeds the national standards set for exposure outdoors. Harmful pollutants which have been found in indoor air environments include: higher than average levels of radioactive radon; unhealthy levels of carbon monoxide; formaldehyde from foam insulation; nitrogen dioxide from poorly ventilated gas stoves; and smoking, a major indoor source of respirable particles. Some measures intended to reduce energy use in buildings contribute to the buildup of indoor air pollution. One material qualifying for a Federal tax credit for home insulation is a source of potentially harmful indoor air pollution.

Findings/Conclusions: While Federal officials agree that indoor air pollution poses a potentially serious health problem, they have been reluctant to study it, because they lack a clear responsibility for doing so. The lack of clear responsibility and authority has caused a duplication of some efforts. Agencies also find themselves assuming adversarial roles when assessing Federal actions on indoor air quality. Environmentalists and those concerned with energy conservation disagree about programs. Some European countries have recognized the significance of the indoor air quality standards for certain pollutants, and have taken measures to control the problem. There are low-cost ways to minimize indoor air pollution, including proper ventilation and the use of ventilating equipment and filtering devices. A massive new Federal program is not necessary now, but the Environmental Protection Agency (EPA) could develop a comprehensive, coordinated program using existing resources in both the public and private sectors.

Recommendations: The Administrator of EPA should establish a task force which will identify research activities of other Federal agencies and private institutions relating to indoor air pollution so that the EPA activities can be coordinated with them. It should compile available data on indoor air pollution and use this data to inform the public and other governmental organizations of the problem and available actions. The task force should provide advice to the Administrator on what EPA research and development efforts are needed to deal with the indoor air pollution problem. Congress should amend the Clean Air Act to provide EPA with the authority and responsibility for the quality of air in the nonworkplace.

Appropriations

Research and development - Environmental Protection Agency

Appropriations Committee Issues

The requirement for EPA long-term epidemiological studies on the effects of indoor air pollutants may require additional funding by Congress.

ENVIRONMENTAL PROTECTION AGENCY

Large Construction Projects To Correct Combined Sewer Overflows Are Too Costly

(CED-80-40, 12-28-79)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Federal Water Pollution Control Act.

In many U.S. cities, stormwater and waste flow through the same systems. Overflows of these combined sewers from heavy rains allow pollutants to enter waterways, streets, and basements. The Environmental Protection Agency (EPA) estimated that almost $26 billion was needed to fund the pollution control portion of any project that might undertake to separate the Nation's combined sewers. A report focused on progress in stemming the Nation's combined sewer pollution and flooding problem.

Findings/Conclusions: Little progress has been made toward solving combined sewer problems, primarily because insufficient funds were available for large-scale projects. Of the 15 major cities with combined sewer systems that GAO visited, less than half have started construction projects to solve their problems, and eventual completion seemed doubtful for many such projects that were underway. Since sufficient money for large-scale solutions to the Nation's combined sewer problems has not been forthcoming, alternative approaches have been explored which attempt to mitigate pollution and flooding problems through better and more flexible management practices. However, inflexibility in national and State water quality goals, funds allocation, and agency jurisdictions has hampered the pursuit of alternative solutions.

Recommendations: The Administrator of EPA should emphasize the use of inexpensive techniques and require communities to make maximum use of lower cost alternatives before funding large-scale, structural projects. While these techniques may not provide a total solution, it is time to realize that the current approach is not working. Funds in the magnitude required are not available and probably never will be. The Congress should provide more flexibility in water quality goals, encourage the use of alternative low-cost approaches, and permit the Federal Government to play a role in preventing flooding caused by combined sewers.

Agency Comments/Action

EPA has not replied to this report. However, in oral comments it generally agreed with the thrust of the report and its recommendations except for the one permitting the Federal Government to play a role in preventing flooding caused by combined sewer systems. EPA feels that urban flooding should be considered a local problem and that, if EPA were to get involved in urban flooding, it would further dilute the limited funds available to fight water pollution.

Appropriations

Abatement and control - Environmental Protection Agency

Appropriations Committee Issues

Alternatives exist for reducing the costs of expensive combined sewer control projects.

ENVIRONMENTAL PROTECTION AGENCY

Many Water Quality Standard Violations May Not Be Significant Enough To Justify Costly Preventive Actions

(CED-80-86, 7-2-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Water Pollution Control Act.

The Environmental Protection Agency (EPA) administers a Construction Grants Program under the Water Pollution Control Act to restore and maintain the quality of the Nation's waters. EPA estimates that $10 billion will be needed through the year 2000 to construct advanced waste water treatment facilities for municipal sewage for the program. GAO discussed waste water treatment with Federal and State water quality officials and consultants in the field. GAO found that advanced water treatment, which removes some pollutants left after secondary treatment, with few exceptions, may not be justified. GAO found that mathematical models used to predict water quality are often imprecise and inexact; Federal funding is insufficient to achieve water quality standards for all waterways within a reasonable time; EPA makes it difficult for States to relax or downgrade water quality standards; and relating the impact of various treatment levels to water use is difficult. Each State has developed water quality standards to protect its waterways and their uses. The standards help determine the type of wastewater treatment needed to protect waters for those uses. Advanced treatment, which may be required in municipalities, is very expensive. Violation of a water quality standard may not always mean that a significant environmental, social, or public health damage has occurred. The scientific basis for the standard may be questionable, and the water may not be important to society. In many instances, municipalities are constructing treatment facilities more sophisticated than necessary to prevent predicted water quality standard violations. The mathematical models, upon which these predictions are based, produce highly uncertain results. The law does not require communities to consider adequately the costs of achieving water quality standards. An agency analysis of nine projects did not show the significance of the projects' advanced treatment portion to the environment, effect on public health, significance of the advanced waste treatment portion on established waterway uses, or social significance or benefits of the projects. **Findings/Conclusions:** Because the water quality standard setting process is questionable, modeling to determine violations is often imprecise and inexact, Federal funding is insufficient to achieve water quality standards for all waterways within a reasonable period of time, obtaining downward reclassification from EPA is very difficult, and relating the impact of various treatment levels on water uses is difficult; GAO believes that advanced waste treatment, with few exceptions, may not be justified at this time. GAO concluded that funding of advanced waste treatment projects should be curtailed. Federal funds should not be spent to provide a level of treatment that produces such uncertain results. These factors affect billions of dollars that have been, or will be, spent under the EPA Construction Grants Program. The standard setting process places too much emphasis on preventing all types of water quality standard violations rather than just significant violations. **Recommendations:** The Administrator, EPA, should take steps to improve the process of setting, revising, and implementing water quality standards and help ensure that advanced waste treatment plants provide meaningful improvements to the Nation and the environment. Specifically, he should: (1) become more realistic and cost conscious about the attainability of water quality standards when a State has made a reasonable showing that the standards are unattainable or too costly to attain; (2) not impede the downgrading process with burdensome evidentiary requirements; (3) reduce the cost criteria for what constitutes an expensive sewage plant; (4) to a greater degree, accept State and local views that project costs are not commensurate with benefits; (5) permit variances in reclassification criteria in cases where stream improvement requires treatment beyond secondary to meet water quality standards, but where ecological and social or public health improvements are not significant enough to justify the costs of improvements; (6) require EPA regions to be more consistent in approving variances of water quality standards and downgrading water quality standards; (7) require, when advanced waste treatment is an issue, that at least two thorough surveys of the waterway be done, one for calibrating the mathematical model and another for verifying the calibrated model; (8) develop material to help decisionmakers know the predictive accuracy of models used to justify advanced waste treatment, and establish minimum requirements for the predictive accuracy of these models; (9) establish criteria to determine the degree of modeling reliability that will be acceptable; and (10) develop specific criteria governing what constitutes an adequate and cost-effective water quality survey for justifying advanced waste treatment projects. Finally, the Administrator should revise the advanced waste treatment review guidelines or, if necessary, suggest legislative changes to allow the deletion of the provisions that: allow projects not having significant water quality improvements to be funded because the projects will cost more if they have to be revised or redesigned to delete insignificant treatment processes; allow projects to be exempted from the review process if they involve land treatment; and allow projects to be exempted from the review process just because the State's definition of secondary treatment is more stringent than the EPA definition.

Agency Comments/Action

EPA agreed that the Nation's water pollution control program is costly and complex. But it generally did not agree with the GAO conclusions, stating they reflect a misunderstanding of the legislative objectives and fail to recognize that States may legally set their own water quality standards.

Appropriations

Abatement and control - Environmental Protection Agency

Appropriations Committee Issues

The Clean Water Act should be amended to provide the agency with the flexibility to more closely consider costs in justifying advanced waste treatment projects.

ENVIRONMENTAL PROTECTION AGENCY

National Water Quality Goals Cannot Be Attained Without More Attention to Pollution From Diffused or 'Nonpoint' Sources

(CED-78-6, 12-20-77)

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (0304)
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251 et seq. (Supp. V)).

Nonpoint sources of pollution involve pollutants such as sediment, acid mine drainage, and pesticides carried into streams by storm runoff. Discharges of nonpoint pollution can occur anywhere along a water body in contrast to sources where the point of discharge is from a conduit; as a result, nonpoint sources are more difficult to control.

Findings/Conclusions: The best way to control nonpoint pollution is to prevent as much of it as possible from reaching the water through proper management of the land. More attention is needed to control this type of pollution because it can render streams unfit for fishing and swimming according to goals set for 1983. State and local agencies are not using adequate data for planning solutions to this problem. Since total funds for water pollution control are limited, better data are needed to set priorities and evaluate alternatives. The lack of data available on nonpoint sources of pollution is attributable to past and current emphasis on controlling point sources of pollution.

Recommendations: The Administrator of EPA should: initiate a program to provide for the collection of adequate data on relationships among sources of water pollution and expected impacts of control techniques; assess resources EPA and State and local planning agencies need to collect adequate data; develop legislative proposals to provide planning agencies adequate time and funds to conduct proper planning; promote interest and involvement in nonpoint planning and control at high levels within other Federal agencies; develop procedures to identify budgeted and actual expenditures related to nonpoint planning and control; and place responsibility for administering the program at a higher level within EPA. Congress should address itself to questions concerning the adequacy of Federal funds for nonpoint source pollution control and, if funds are to be provided, determine what criteria should be used to determine eligibility.

Agency Comments/Action

The Agency in its letter to the House and Senate Committees on Government Operations generally agreed with our recommendations and said corrective actions were being taken. Such actions include (1) funding comprehensive data collection and analysis of projects, (2) developing interagency agreements to facilitate communication and cooperation, (3) developing a strategy document to identify budgeted and actual expenditure related to nonpoint planning and control, and (4) developing better estimates of resources required to collect and analyze nonpoint source data. While EPA has moved on all these recommendations, full implementation had not been completed as of August 12, 1980. In GAO testimony before the Subcommittee on Oversight and Review of the House Committee on Public Works and Transportation, GAO suggested (1) an extension of the water quality planning program to provide funding for prototype nonpoint pollution projects, and (2) implementation of the Rural Clean Water Program which deals with nonpoint pollution on agricultural lands.

Appropriations

Water quality - Environmental Protection Agency

Appropriations Committee Issues

It is doubtful whether program objectives can be achieved within projected funding levels.

ENVIRONMENTAL PROTECTION AGENCY

Need for a Formal Risk/Benefit Review of the Pesticide Chlordane

(CED-80-116, 8-5-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304)
Legislative Authority: Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.). Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). 40 C.F.R. 162.11.

A review of the adequacy of the Environmental Protection Agency's (EPA) regulation of pesticides used in and around the home revealed that chlordane, used for termite control, may pose unreasonable risks to man and the environment. EPA, the primary regulator of pesticides, is required to insure strict human health and environmental protection from pesticides. Chlordane was introduced in 1945 and became one of the most widely used household and garden pesticides. In 1974, EPA began a rebuttable presumption against registration (RPAR) process to weigh the risks and benefits of pesticides suspected of causing serious health or environmental problems. A pesticide must meet certain risk criteria before it enters the RPAR process. These criteria include short- and long-term risk levels and the possible existence of an antidote or emergency treatment for those exposed to the pesticide. If the risk presumption is rebutted, EPA terminates the process and does not take action against the pesticide. If the presumption is not rebutted, EPA develops and gathers risk and benefit evidence for the RPAR pesticide. This information is used for risk and benefit analyses from which EPA determines risks associated with specific uses. Necessary regulatory options may be developed to reduce risks associated with the pesticide use. In 1974, after studies showed that chlordane caused cancer in mice, EPA issued a notice of intent to cancel all registered uses of chlordane, except for subsurface ground insertion for termite control and dipping of nonfood plants. According to EPA, the decision to continue using chlordane for subsurface termite control was not based on a risk benefit review, but was an administrative decision based on available information. After lengthy cancellation proceedings, representatives of the chlordane manufacturer and other parties involved signed a settlement agreement in 1978 which canceled, either immediately or over 5 years, all chlordane uses except for subsurface ground insertion for termite control and the dipping of nonfood plants.

Findings/Conclusions: Assessing the health risk of a widely used pesticide is critical when a pesticide, such as chlordane, has been found to cause cancer in a laboratory animal and where there is reason to believe that many people have been exposed to it. Air Force incidents showed that persons living in homes built on a slab with air ducts in or under the slab have been exposed to chlordane used during construction for termite control. Chlordane was found in the air of homes treated for termites as much as 14 years prior to sampling the air, which may mean that residents are being exposed to chlordane for long periods. Air Force studies and other data represent new information not available when EPA signed the 1978 agreement with the chlordane manufacturer canceling most nontermite uses of chlordane. Aside from resolving questions on chlordane's continued use for home termite control, the question of the pesticide's possible harmful effects on persons living in homes already treated with chlordane still remains.

Recommendations: The Administrator, EPA, should initiate a formal risk/benefit review of chlordane to determine whether the pesticides registered for subsurface termite uses should be limited or canceled. The Administrator also should work with the Departments of Housing and Urban Development and Health and Human Services to determine the potential for adverse effects in homes already treated with chlordane and practical methods for reducing unreasonable risk to occupants.

Agency Comments/Action

The 60-day responses had not been received as of October 1980.

Appropriations

Abatement and control - Environmental Protection Agency

Appropriations Committee Issues

The Committees should monitor EPA compliance with the Federal Insecticide, Fungicide, and Rodenticide Act.

ENVIRONMENTAL PROTECTION AGENCY

Review of Environmental Protection Agency's Efforts To Detect and Prevent Fraud and Abuse

(CED-80-100, 5-29-80)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Inspector General Act (P.L. 95-452; 92 Stat. 1102). EPA Order 3120.1A. OMB Circular A-73.

A review was undertaken of the Environmental Protection Agency's (EPA) efforts to detect and prevent fraud and abuse. During most of the review, the Office of Audit was responsible for evaluating the economy, efficiency, and effectiveness of financial and program operations since the Office of Inspector General (OIG) was not established until January 7, 1980. Also, the Inspection Branch was responsible for matters relating to fraud, gross abuse, corrupt practices, or other irregularities.

Findings/Conclusions: Prior to the establishment of OIG, fraud audits and investigations were done primarily on a reactive basis. The 1980 fiscal year workplan shows that EPA will be able to meet only about 25 percent of its overall audit requirements. Although the audit resources of EPA fall short of those necessary to meet audit demands, other factors have handicapped EPA in its efforts to identify fraud and abuse. These include: (1) the delay in establishing an Office of Inspector General; (2) the lack of a viable ongoing management information system; and (3) poor utilization of investigative reports recommending needed changes in management policies and procedures.

Recommendations: The Administrator, EPA, should: (1) request the resources necessary for OIG to carry out its responsibilities; and (2) direct management officials to be more responsive to investigative reports by revising EPA Order 3120.1A to more clearly define management responsibilities for taking corrective action on investigative findings, to establish timeframes for taking action, and to designate officials responsible for ensuring timely corrective action. Additionally, the Administrator, EPA, should direct the Inspector General to: (1) further develop a more organized, systematic approach to identifying fraud by instituting a management information system which will provide information on the most likely types and methods of fraud and abuse; (2) incorporate fraud detection steps into all routine audits; (3) provide more visibility, publicity, and resources to fraud and abuse programs, such as the whistleblowers hotline and code of conduct briefings; and (4) require that the cover letters forwarding closed investigative reports to management officials contain conclusions and recommendations for corrective action.

Agency Comments/Action

Although the Agency has not presented its formal comments on the report, the EPA Inspector General and her staff agreed with the recommendations.

Appropriations

Salaries and benefits - Environmental Protection Agency

Appropriations Committee Issues

The EPA Office of Inspector General's personnel resources fall short of those necessary to carry out statutory responsibilities. Further, a more organized and systematic approach is needed to identify fraud and abuse as such a program has the potential to reduce costs.

ENVIRONMENTAL PROTECTION AGENCY

The Review Process for Priority Energy Projects Should Be Expedited

(EMD-80-6, 10-15-79)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Public Utility Regulatory Policies Act of 1978 (43 U.S.C. 2001). Clean Air Act Amendments of 1970. Clean Air Act Amendments of 1977.

The proposed crude oil pipeline from Long Beach, California, to Midland, Texas (PACTEX), considered to be in the national interest because it would distribute the West Coast's surplus of Alaska North Slope crude oil, was abandoned by its sponsor after almost 5 years of work. Increased project costs and adverse effects from delays in obtaining permits and litigation were cited as reasons for abandoning the project. PACTEX was examined as a case study to identify the problems and issues associated with obtaining the necessary permits for a major energy transportation system. Various Federal and State agencies were contacted and reports, studies, laws, regulations, proposed legislation, and procedures related to the permit process were reviewed.

Findings Conclusions: The most serious problem encountered was in obtaining State and local air quality permits for the terminal in California. Although the Environmental Protection Agency (EPA) and the States are responsible for implementing the Clean Air Act and its amendments, neither EPA nor California has established clear requirements to be met by companies desiring to install facilities that will contribute to air pollution. Such guidance is not only needed, but should be expected if all levels of government are to fulfill the leadership responsibilities essential for effective air pollution control.

Recommendations: The Administrator of EPA not only should act on the recommendations made in the 1978 GAO report, but should also establish guidelines for implementation of the offset policy which provide clear, specific guidance on measurement and quantity of project emissions required to be offset; types and quantity of offsets to be provided; and acceptability of a demonstration project, rather than proven technology, as an offset. Further, the Administrator should urge State or local governments wishing to use more stringent requirements to establish clear guidelines and include them in the State Implementation Plan before enforcing the more stringent requirements for a project. The Congress should enact a program for expediting energy projects considered to be in the national interest and establish an Energy Mobilization Board to assure its effective administration. The authorizing legislation needs to be carefully drawn to embody those characteristics essential to the proper functioning of the Board, including independence, objectivity, and strong authority, as well as safeguards and balancing features to preserve the integrity of the permit process itself and to avoid abuses of power. In addition, the enabling legislation should specify an expiration date, thus requiring periodic congressional oversight. Because of EPA reluctance to apply the recommendations contained in the October 1978 report by GAO, the cognizant congressional committees should make sure the recommendations GAO made are completed expeditiously by the Administrator of EPA.

Agency Comments Action

Sixty-day comments had not been received as of July 15, 1980.

Appropriations

Implementation of Clean Air Act - Environmental Protection Agency

Appropriations Committee Issues

Because of EPA reluctance to apply the recommendations contained in the October 1978 report by GAO, the cognizant congressional committees should make sure the recommendations GAO made are completed expeditiously by the Administrator of EPA.

Secondary Treatment of Municipal Wastewater in the St. Louis Area: Minimal Impact Expected

(CED-78-76, 5-12-78)

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (0304)
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251). Clean Water Act of 1977 (P.L. 95-217).

The objective of the Federal Water Pollution Control Act Amendments of 1972 was to restore and maintain the chemical, physical, and biological integrity of the Nation's waters. Publicly owned treatment works were required to provide secondary treatment by July 1, 1977, and to use the best practicable technology by 1983. To assist publicly owned treatment works in providing secondary treatment, the Act authorized the Environmental Protection Agency (EPA) to make grants of up to 75 percent of the eligible costs. Federal funds approximating $163 million are planned to be spent for construction of two municipal secondary treatment facilities in the St. Louis, Missouri, area.

Findings/Conclusions: No significant change in Mississippi River water quality is expected to result from the planned investment of about $216 million (including $163 million in Federal funds) in secondary treatment facilities in St. Louis. Although EPA and other officials have mentioned possible long-range reductions in potentially cancer-causing materials, these benefits have not been validated or quantified. Large increases in energy use and large accumulations of sludge from secondary treatment operations are expected. These considerations will have an impact not only on energy and environmental issues but also on the St. Louis area residents who will have to bear increased operation and maintenance costs. According to St. Louis Sewer District officials, these costs will more than double. Sewer District officials felt that little benefit would result from upgrading two treatment plants from primary to secondary status. However, both Missouri and Illinois officials believed that more benefits would result if Federal funds were used for other projects in their States.

Recommendations: The Congress should amend the law to eliminate the mandatory requirement for secondary treatment of discharges and to permit the Administrator of EPA to grant waivers, deferrals, or modifications on a case-by-case basis to this requirement. The Administrator of EPA should reevaluate its policy of subordinating combined sewer overflow and collector sewer projects to municipal plant projects, in view of the Clean Water Act of 1977 which allows States more flexibility in determining construction grant priorities.

Agency Comments/Action

EPA disagreed that secondary treatment should be waived in some instances where water quality improvements are marginal. According to EPA, secondary treatment should be a base level because it is a necessary, reasonable and appropriate standard for all municipal wastewater discharges to marine waters. EPA believes its water quality strategy and regulations already provide the States sufficient flexibility for setting construction priorities. EPA will, however, consider requests for deviation where it can be demonstrated that a combined sewer overflow project will result in water quality improvements greater than that which could be attained by providing secondary treatment for dry weather flows.

Appropriations

Water quality - Environmental Protection Agency
Construction grants - Environmental Protection Agency

Appropriations Committee Issues

Unless the law is changed, some secondary treatment plants will still have to be constructed even though the plants may only marginally improve water quality.

ENVIRONMENTAL PROTECTION AGENCY

Stronger Management of EPA's Information Resources Is Critical To Meeting Program Needs

(CED-80-18, 3-10-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Clean Air Act Amendments of 1977 (42 U.S.C 7401 et seq.). Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.). Federal Water Pollution Control Act Amendments of 1972 (33 U.S.C. 1251 et seq.). Marine Protection, Research, and Sanctuaries Act of 1972 (33 U.S.C. 1401 et seq.). Noise Control Act of 1972 (42 U.S.C. 4901 et seq.). Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901 et seq.). Toxic Substances Control Act (15 U.S.C. 2601 et seq.). FIPS Pub 38. FIPS Pub.49. Office of Administration Memorandum No. 11. GAO Federal Government Accounting Pamphlet No. 4. OMB Circular A-71. OMB Circular A-76. OMB Circular A-109.

A GAO review identified the problems that the Environmental Protection Agency (EPA) was experiencing in managing and using its information and computer resources. Since EPA is an information-intensive agency, its information resources, including automatic data processing, are critical to the success of all program activities.

Findings/Conclusions: Some EPA information resources management problems include little top management involvement, no strong central management or direction of computer-based information systems, no mechanism to coordinate planning, a lack of a nucleus of automatic data processing (ADP) professionals to support system development, no provision for assigning priorities, and a lack of providing direction to its contractors. EPA is in the process of upgrading its computer system. However, the need for this additional computer capability has not been justified since unused computer capacity still exists and steps have not been taken to manage the existing workload.

Recommendations: The Administrator of EPA should: (1) establish at the deputy assistant administrator level a central information resources management office; (2) assign to the central resources management office responsibility and accountability for carrying out an information resources management system that includes such practices as an agencywide planning process, a performance measurement program, and management control procedures; (3) direct the central information resources management office to correct the existing ADP deficiencies; (4) assign to a central information resources management office the authority and responsibility for ensuring necessary planning, direction, and control over ADP system development; (5) have the central information resource management office review each program office ADP plan, recommend agencywide priorities for system development to the Deputy Assistant Administrators' Steering Committee, track progress of ADP system development projects, report problems to the appropriate program offices for necessary action, strengthen controls over and enforce standards for system development, verify that statements of work are detailed, require written approval of all modifications to the statement of work before that work begins, ensure that the contractor adheres to contract schedules and costs, require written explanation for any deviations, and thoroughly review the ADP technical content of contractor deliverables; (6) reassess the 1980's ADP requirements and ensure that ADP workload projections are kept current; (7) establish a permanent computer performance management program; (8) perform a formal cost/benefit analysis of alternative procurement strategies; (9) ensure that ADP cost-accounting procedures reflect the principles of full costing and total system-life-cycle costing; (10) require that full costs for central ADP services be assigned by the chargeback system to the users; (11) require users to pay for these services directly from their program funds; (12) initiate actions to implement a revolving fund; (13) determine the final requirements of an ADP planning and budgeting system; and (14) direct the Office of the Inspector General to increase its ADP audit capability, to augment its ADP audit capability with outside contractors, and to plan and perform management audits of the ADP policies, plans, and procedures of EPA.

Agency Comments/Action

The Agency concurred with all recommendations and indicated it would take corrective action.

Appropriations

Administrative operations (ADP) - Environmental Protection Agency

Appropriations Committee Issues

Management and technical deficiencies in the acquisition, management, and use of ADP resources warrant a critical budget review by the Appropriations Committees.

FARM CREDIT ADMINISTRATION

The Farm Credit System: Some Opportunities for Improvement

(CED-80-12, 1-25-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Farm Credit Act of 1971.

A review was made of the operations of the Farm Credit Administration (FCA) and the banks and associations which make up the Farm Credit System (FCS). FCA is an independent Federal agency which provides credit to ranchers, rural homeowners, and farm-related businesses through three separate banking systems. FCS obtains its funds through the sale of bonds and discount notes, and the borrowers/owners pay all expenses necessary to operate FCS. In addition, FCS enjoys some benefits not available to other institutions, such as usury and income tax law exemptions. The Federal Farm Credit Board (FFCB) is the policymaking body for FCA.

Findings/Conclusions: The three banking systems which make up FCS have overlapping authority and fulfill similar credit needs. Every county is served by both a Federal Land Bank Association and a Production Credit Association. In many cases, their offices are located in the same or in adjacent buildings, yet each operates as a separate entity and competes for a share of the loan market. Under the current system, the borrower must often go to one lender for short-term operating needs and another for long-term real estate needs. Thus, borrowers often do not receive the benefit of a lender's help in planning a total financial package. Legislative constraints and the structure of FCS have limited efforts by FFCB to correct the overlapping services offered by the three banking systems. In some instances, FCS is making loans in metropolitan areas and to individuals for whom the program was not intended. Some of these loans are more expensive to process than rural and agricultural loans and the farmer shares in these additional costs.

Recommendations: FFCB should: (1) issue regulations to the district banks requiring them to charge nonfarmers interest rates which reflect the additional costs of making rural housing loans; (2) clarify FCA regulations to insure that loans are being made to individuals who are bona fide part-time farmers or ranchers and that loans are primarily agricultural loans; and (3) amend FCA regulations to preclude the System from making nonagricultural loans to investor-oriented individuals. The Congress should require FFCB to review how best to consolidate or merge the three banking systems and to prepare legislation to accomplish it.

Agency Comments/Action

On March 21, 1980, FCA responded to the Chairman, House Committee on Government Operations, regarding the recommendation to the Congress on consolidation. FCA said that it would make a study at the request of the Congress to determine whether additional consolidation is in the best interest of FCS borrowers and to determine the course such consolidation should take. Regarding the recommendations to the FFCB and the FCA, FCA said (1) it did not think a regulation was needed to require banks to charge higher interest rates for rural home loans than for agricultural loans, (2) it would reaffirm to the FCS through administrative clarification the intent and scope of the appropriate regulations and would intensify examination and supervision in this area, and (3) the FFCB would undertake an appropriate study to determine the adequacy of existing legislative authority.

Appropriations

Supervision and examination of farm credit banks and associations - Farm Credit Administration

Appropriations Committee Issues

FCA does not receive an appropriation. The Committees, however, place a limitation on the FCA administrative expenses which are obtained from assessments levied against the agencies making up FCS. Before determining what this limitation should be, the Committees should assess what progress FCA has made on the actions it said it is taking.

FEDERAL COMMUNICATIONS COMMISSION

FCC's Decision To Consolidate Licensing Division in Gettysburg, Pa., Was Made Without Adequate Analysis

(CED-80-27, 12-3-79)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Communications Act of 1934 (47 U.S.C. 151)

The Federal Communications Commission (FCC) has planned to consolidate its Private Radio Bureau Licensing Division in Gettysburg, Pennsylvania. It is believed that consolidating the Washington, D.C., office with the Gettysburg office will result in improved service to the public. While the decision to consolidate was based on improving Division operations and increasing service to the public, cost savings were a factor in the selection of Gettysburg as the site of consolidation. FCC believes consolidation in Gettysburg would reduce training costs and create a more stable work force because employee turnover there is about one-third of that in Washington. It was estimated that relocation would save an estimated $120,000 per year through reduced space rental costs. However, a detailed analysis quantifying all the benefits and costs associated with the planned consolidation was not prepared. In a review of this plan, the availability and cost of office space in both areas were surveyed, costs associated with the consolidation were evaluated, and an attempt was made to determine the impact consolidation would have on affected employees.

Findings/Conclusions: While some of the benefits will occur through consolidation, some of the expected improvements were not adequately supported and appeared to be overstated. Some of the benefits could be accomplished under the existing organizational arrangement. Not enough documentation exists to support the FCC contention that after consolidation the Division would need 17 fewer positions. The difference in turnover rates between the two offices was overstated. This difference results from the promotion or reassignment of Washington employees to other positions in FCC. A building has not yet been located to house the Division in Gettysburg. It appears that rental costs there are likely to exceed the FCC estimate if construction or extensive renovation is required. Since a large number of employees are unlikely to transfer to Gettysburg, FCC will incur substantial training costs. Relocation is also likely to impair, to some extent, coordination with other FCC units and result in some inconvenience and expense to private concerns which interact with the Division. It is believed that FCC has not fully considered the ability of the staff choosing not to transfer to find other employment, nor its own ability to replace these workers.

Recommendations: FCC should reconsider its decision to consolidate the Licensing Division in Gettysburg, Pennsylvania. As part of this reconsideration, FCC should clearly distinguish those benefits which can be achieved only through consolidation and weigh them against the associated costs, particularly the loss of experienced staff.

Agency Comments/Action

FCC stated that it believed its original decision was correct and that a reconsideration was, therefore, not necessary.

Appropriations

Private radio - Federal Communications Commission

Appropriations Committee Issues

The Committees should determine the extent to which FCC has carried out the consolidation and its effect on operations and personnel.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Improvements Being Made in Flood Fighting Capabilities in the Jackson, Mississippi, Area

(CED-80-36, 12-18-79)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453)
Legislative Authority: Executive Order 12148. 5 U.S.C. 901 et seq..

In order to improve Federal emergency management and assistance, the President issued a reorganization plan in 1978 which called for the establishment of the Federal Emergency Management Agency (FEMA). FEMA consolidates a number of civil preparedness and disaster relief functions. A review was made of the Administration's progress in establishing FEMA and the Federal role in the April 1979 flood in Jackson, Mississippi.

Findings/Conclusions: The second and final phase of establishing FEMA became effective July 15, 1979, but as of December 4, 1979, 8 of 17 top agency positions had not been permanently filled. Although the President stated that the consolidation could achieve annual cost savings of $10 to $15 million and eliminate 300 jobs, GAO found that no savings have yet been identified and the amount anticipated will probably not be realized until fiscal 1982 at the earliest. During the Jackson flood, flood fighting efforts were hindered by a lack of coordination among some of the Federal, State, and local agencies involved. Conflicting agency estimates and predictions, inadequate data, and the untimely submission of rainfall reports all contributed to the coordination problems. Had additional river data been collected and more timely rainfall reports been issued, the concerned agencies would have had better information to analyze, predict, and control the waters of the Pearl River. Although it was known that a certain highway interchange was the lowest elevation in the flood protection system, and therefore an entrance source for the water, no attempts were made to fortify this area. Better flood preparation and coordination by the agencies could have eliminated or minimized the water from this and other sources. During the flood and postflood relief efforts, the agencies which have been consolidated into FEMA performed their traditional role and did not assume any of FEMA's new responsibilities since it was just being organized.

Recommendations: To prevent a recurrence of the coordination and flood fighting problems experienced during the Jackson flood, the FEMA Director should follow the progress of the Federal, State, and local agencies' corrective actions and provide assistance, when necessary, to assure that those actions are completed.

Agency Comments/Action

The Federal Emergency Management Agency has initiated efforts to assist Federal, State, and local agencies in resolving problems which occurred during the April 1974 flood.

Appropriations

Federal Emergency Management Agency

Appropriations Committee Issues

The Committees should direct the Federal Emergency Management Agency to evaluate Federal, State, and local responses to disasters.

FEDERAL EMERGENCY MANAGEMENT AGENCY

States Can Be Better Prepared To Respond to Disasters

(CED-80-60, 3-31-80)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453)
Legislative Authority: Disaster Relief Act (P.L. 91-79; P.L. 91-606; 42 U.S.C. 5131). Reorg. Plan No. 3 of 1978. 5 U.S.C. 901 et seq.

After a major disaster occurred in Massachusetts, GAO was asked to evaluate how well that State was prepared to respond to the disaster. It was also asked to review the preparedness in six other States with regard to the development of implementing procedures for use by State agencies in carrying out tasks assigned under the State emergency plans.

Findings/Conclusions. Massachusetts agencies incurred problems in implementing tasks assigned under the State emergency plan because procedures had not been developed to show how the tasks were to be performed. The review of the plans for six other States revealed that the plans assigned various functions to State agencies and also assigned specific tasks to be performed by each State agency. A majority of State agencies had not developed standard operating procedures for their assigned tasks or had developed documents which did not provide detailed procedures to allow agencies to fulfill their responsibilities adequately. The only individual assistance program which had detailed procedures in each State was the individual and family grant program which provides Federal and State shared grants to individuals or families with disaster-related expenses or serious needs. Emergency preparedness agencies in these States were unable to require other State agencies to develop operating procedures for their disaster tasks. In four States, emergency preparedness agencies provided little encouragement to State agencies to develop such procedures. In five States, officials believed that local emergency plans needed to be revised to conform with the State emergency plan. In the sixth State, local plans were reviewed and found to be in conformance with the State plan. No State established disaster training programs with standards for liaisons or for other State agency personnel.

Recommendations: The Director of the Federal Emergency Management Agency should set minimum standards for disaster-type training of State and local personnel and incorporate both disaster training and civil defense training into a single program for emergency preparedness officials. The Director should also request that each Governor require the State civil preparedness agency and other State agencies to develop standard operating procedures for their disaster functions and training programs for State and local personnel in accordance with Federal Emergency Management Agency guidance and require or request local communities to develop or revise their emergency plans to make them compatible with the State emergency plan. For State-operated programs or functions it funds, the Federal Emergency Management Agency should require the States to develop standard operating procedures and obtain the Agency's approval of the procedures before participating in the programs.

Agency Comments/Action

The FEMA Director wrote to each Governor transmitting a copy of the GAO report. He requested each Governor to take appropriate measures to develop standard operating procedures, train State and local personnel, and update local plans to comply with State plans and offered FEMA assistance in the form of grants, training programs, and technical assistance.

Appropriations

Disaster relief funds appropriated to the President - Federal Emergency Management Agency

Appropriations Committee Issues

GAO recommended that the Director of FEMA identify certain tasks as high priority items in his approval of future improvement grant funds to the States. The Committees may wish to insure that States will use future improvement grant funds for the above tasks.

FEDERAL MARITIME COMMISSION

Essential Management Functions at the Federal Maritime Commission Are Not Being Performed

(CED-80-20, 1-18-80)

Budget Function: Transportation: Water Transportation (0403)
Legislative Authority: Clean Water Act of 1977. Outer Continental Shelf Lands Act Amendments of 1978. Ocean Shipping Act of 1978. Intercoastal Shipping Act, 1933.

Responding to growing criticism of increasing government regulation and the steadily declining worldwide position of the United States merchant marine, Congress is making a critical reexamination of basic national maritime policy and regulation of ocean transportation. A review of the Federal Maritime Commission dealt with planning, management control, auditing activities, utilization of staff resources, and organizational effectiveness.

Findings/Conclusions: The Commission was not adequately performing essential management functions such as planning and internal auditing, nor did it have an effective management information system. The Commission's planning activities were limited, uncoordinated, and related primarily to short-term objectives. As a result, regulatory actions were delayed, crisis-oriented, and reactive as opposed to anticipatory and preventative. The Chairman of the Commission and the Commissioners did not have a management information system providing complete, accurate, and current data on how Commission moneys, people, and equipment were being used to achieve its objectives. The Commission had no internal audit unit to perform the auditing necessary to provide its management with an independent analysis of the Commission's operations. Productive external audits and investigations were being performed, but some types of investigations such as regular compliance work could not be carried out due to limited staff. Backlogs and delays in completing essential work in many of the Commission's bureaus and offices indicated that the Commission did not have a sufficient number of adequately trained staff members to carry out its regulatory duties and perform management functions. Finally, low morale and a lack of good communications at the Commission were attributed to the leadership style of the Chairman, ignoring the chain-of-command, and oversight by busy managers.

Recommendations: The Director of the Federal Maritime Commission should: (1) establish an office of planning to help define agency goals and objectives in relation to its mission, set priorities, formulate policies and set performance standards; (2) establish an automatic data processing steering committee; and (3) establish an independent internal audit organization reporting directly to the Director. The Chairman of the Federal Maritime Commission should (1) undertake a Commission-wide study to assess its staffing needs and training requirements; and (2) establish a continuing goal of improving communications and take a direct, personal interest in seeing that a participatory management approach is actively pursued throughout all levels of the Commission.

Agency Comments/Action

The Federal Maritime Commission has promised corrective action on all recommendations except the establishment of an independent internal audit organization.

Appropriations

Salaries and expenses - Federal Maritime Commission

Appropriations Committee Issues

The Committees should determine whether the Federal Maritime Commission has sufficient, adequately trained staff to carry out its assignments at an acceptable level of competence without unreasonable delays. The Committees may also wish to direct the establishment of an internal audit organization.

GENERAL SERVICES ADMINISTRATION

Ineffective Management of GSA's Multiple Award Schedule Program--A Costly, Serious, and Longstanding Problem

(PSAD-79-71, 5-2-79)

Budget Function: Procurement-Other Than Defense (1007)
Legislative Authority: Federal Property and Administrative Services Act of 1949.

The General Services Administration (GSA), through its Federal Supply Service (FSS), makes common-use items available to Federal agencies through three basic buying programs: stores, nonstores, and Federal Supply Schedules. The multiple-award program is the largest FSS program, with 53 percent of total FSS sales. Under the multiple-award program, a number of commercial firms are awarded indefinite quantity contracts for a particular product category. Prices are based on a negotiated minimum discount off the vendors' commercial prices. Agencies select the particular product that best meets their needs and order directly from the vendor. The purpose of the multiple-award program is to decrease agency open-market purchases by offering a wide selection of commercial products at prices lower than available through open-market purchases, and make commercial items available when it is impractical to draft adequate specifications for bids.

Findings/Conclusions: The GSA multiple-award schedule program cannot be effectively managed in its present form. It is intended to make a wide variety of commercial products available to Federal agencies, but there are too many items on the schedules and too many suppliers of similar items, and GSA does not have the capability to make sure that the Government's interests are protected. In addition, there is little or no price competition in the negotiations or monitoring of items ordered by the agencies, and little or no assurance that suppliers offer items at prices that reflect the Government's volume purchases. GAO found that the Government sometimes pays more for identical items, and gets less favorable warranty and payment terms than other purchasers. Studies have focused on the problems since 1971. However, GSA management has not taken any substantive corrective actions. GAO believes this inaction has been due to: the GSA traditional view that it is only a service organization to provide what the users want; GSA management's reluctance to become involved in controversy with industry and trade associations; and Federal agencies which want to maintain the existing noncompetitive process of awarding contracts, as well as the numerous products offered through the program.

Recommendations: The Administrator of GSA should take the following actions: (1) reconsider the GSA service-oriented approach of trying to satisfy the unique needs of Federal agencies; (2) develop criteria for use of multiple-award schedules; (3) review all multiple-award items and eliminate those not meeting the established criteria; (4) intensify efforts to identify products which can be competed with, develop commercial item descriptions for these products, and apply market-research techniques to determine acquisition strategy; (5) define overall management responsibility for the multiple-award schedule program; (6) improve training of contracting officers; (7) refine existing management information systems to provide better data by product; and (8) increase the emphasis on the GSA audits of vendors. Congress should enact legislation which would put GSA under a mandatory timeframe for accomplishing management improvements. The posture of GSA should be strengthened as a primary supplier of products to Federal agencies.

Agency Comments/Action

A followup report is in process. GSA took little corrective action as a result of the report. As a result of the followup report, it reaffirmed its commitment for improvement.

Appropriations

Procurement - General Services Administration, Federal Supply Service

Appropriations Committee Issues

The Committees should adopt this proposal or should, as a minimum, ask GSA for a progress report on making needed management improvements during the appropriation hearings.

GENERAL SERVICES ADMINISTRATION

Replacing Government Sedans Yearly Would Result in Fuel and Cost Savings

(LCD-78-245, 5-8-79)

Budget Function: Transportation: Ground Transportation (0404)

The General Services Administration (GSA) is the only large organization that replaces its rental fleet on a 6-year cycle. By converting to a 1-year replacement cycle, GSA could save about $9.1 million a year on lower maintenance cost and higher resale values.

Findings/Conclusions: Commercial rental and leasing companies replace daily rental vehicles on a 1-year cycle and long-term lease vehicles every 2 to 3 years. Since 1954, 10 Government studies have shown that the current 6-year or 60,000 mile replacement standard for GSA sedans is not the most economical and should be shortened. GSA has not had experience in replacing its total sedan fleet annually; therefore, it does not know what improvements could be gained.

Recommendations: With the concurrence and the cooperation of the Director, Office of Management and Budget (OMB), the Administrator of GSA should conduct a pilot study to test a 1-year replacement cycle in one or more of GSA regional motor pools; adopt a 1-year replacement policy if the test results are positive; and consider the merits of a 2-year cycle if the results of the pilot test prove GSA cannot effectively manage a 1-year replacement cycle. The Director of OMB should monitor GSA efforts and evaluate the feasibility of adopting a shorter replacement standard for other civil agencies and Department of Defense sedans.

Agency Comments/Action

GSA agreed with the findings and recommendations but said there is a problem in obtaining funds for the initial procurement of new vehicles. GSA is interested in conducting a pilot test and future discussions will be held with congressional staff members, OMB, and GAO to determine procedures.

Appropriations

Operating expenses - General Services Administration, Federal Supply Service

Appropriations Committee Issues

The Committees should determine what actions OMB and GSA are taking to implement the GAO recommendations.

GENERAL SERVICES ADMINISTRATION

NATIONAL ARCHIVES AND RECORDS SERVICE

Improvements Are Needed in the Management of the National Archives Preservation and Trust Fund Activities

(LCD-80-13, 10-26-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Anti-Deficiency Act (31 U.S.C. 665). Economy Act (31 U.S.C. 686). 20 Comp. Gen. 264. 19 Comp. Gen. 544. 44 U.S.C. 2112.

A review was made of the adequacy of the physical storage and preservation of documents and audiovisual materials at the National Archives and Records Service (NARS). Aspects of the National Archives Trust Fund operation were also reviewed.

Findings/Conclusions: Because of the high costs of deacidification and repair of paper, NARS made little progress in preserving its 3 billion textual records. Other efforts at preservation, such as fumigation, proper storage, and adequate inventory procedures, also met with practical difficulties. In addition, due to a misinterpretation of legislation on annual appropriations, NARS improperly carried over to fiscal year 1979 more than $1 million of the prior year's funds. The review of the National Archives Trust Fund showed that NARS placed the broadest interpretations on legislation governing its operation, resulting in use of the Fund for businesslike activities for which its cost accounting system is not adequate. In addition, NARS improperly used the Trust Fund Board's direct-hire authority and interchanged employees between the Fund and appropriated activities without the required approval of the Office of Personnel Management.

Recommendations: The Administrator of the General Services Administration (GSA) should direct the Archivist to: (1) develop a plan (including estimates of the funds needed to implement it) for microfilming textual records and disposing of records having no intrinsic value; (2) periodically report to the Administrator on the implementation of the microfilming plan; (3) include more descriptive information on preservation activities in budget submissions to the Congress; (4) amend the regulation requiring fumigation of records in the regional branches and develop alternative procedures that would minimize the potential for infestation; (5) deobligate funds improperly carried over to fiscal year 1979 and return these funds to the General Fund of the Treasury; and (6) periodically take selective inventories of archival records, particularly of those having intrinsic value. The Administrator of GSA should direct the Inspector General of GSA to determine the extent to which funds were carried over for each of the 5 years prior to fiscal year 1979 and report any violations of the Anti-Deficiency Act that might result from adjusting the accounts involved. The Administrator of GSA should direct the Commissioner of the Public Buildings Service to: (1) evaluate environmental conditions at all NARS archival storage locations; (2) ensure that there are plans to bring all NARS archival storage facilities up to acceptable conditions; (3) monitor the actions to upgrade NARS archival storage facilities; and (4) report on any undue delays.

Agency Comments/Action

GSA stated that GAO and GSA legal staffs are investigating the issue of funds improperly carried over to fiscal year 1979. GAO is not researching the matter and has not heard from the GSA legal staff since December 1979.

Appropriations

Federal records management and related activities - General Services Administration, National Archives and Records Service.

Appropriations Committee Issues

The Committee should determine whether GSA has identified any legal basis for carrying over preservation funds to fiscal year 1979. If GSA has not identified any legal authority, the Committee should determine the status of any necessary report on violations of the Anti-Deficiency Act.

GENERAL SERVICES ADMINISTRATION

NATIONAL ARCHIVES AND RECORDS SERVICE

Program To Improve Federal Records Management Practices Should Be Funded by Direct Appropriations

(LCD-80-68, 6-23-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Economy Act. Federal Records Management Amendments of 1976. 31 U.S.C. 701(c).

Several problems were pointed out by a review of the records management activities of the National Archives and Records Service's (NARS) technical assistance program and its activities for improving Federal records management. NARS provides technical assistance to help Federal agencies improve their records management practices. This assistance is funded through reimbursements from agencies, rather than from appropriated funds. Because of the reimbursable nature of the program and the limited demand for technical assistance, NARS must aggressively market its services to agencies to get projects. In some cases, employees paid with appropriated funds were used to generate projects. NARS relies on agencies which can pay for its services, ignoring its own objective of helping agencies become self-sufficient in records management practices. NARS does not always follow its policy of requiring an agency's staff to participate in technical assistance studies in order to learn study techniques. It does not always followup and report the results of its technical assistance studies to the Office of Management and Budget (OMB) and to Congress. The NARS services are authorized by the Economy Act, but its billing methods do not comply with the law, as that law provides that funds earned during one fiscal year cannot be collected and deposited to the credit of appropriations which are current during subsequent fiscal years. NARS has not established realistic goals to determine which records management areas need priority attention. Its staff is spread too thin, working on too many projects, and making little overall progress. In spite of the fact that conducting agency inspections is one of its most effective tools, NARS has not increased the time devoted to this activity. Many of the NARS scheduled training courses have had to be canceled due to the lack of participation by Federal agencies and the inadequate preparations for courses.

Findings/Conclusions: Providing direct appropriations for NARS technical assistance program would rectify many problems. Direct appropriations would allow NARS the flexibility to better direct its technical assistance program and to develop a balanced approach to its records management program. Furthermore, GAO believes that because agencies pay for NARS studies and because of NARS need to obtain future work to finance its reimbursable staff positions, NARS may be reluctant to report the results of its studies to OMB and Congress. No policies were found for the use of consultants by NARS. The reports resulting from several contracts were not used by NARS. NARS should make greater efforts to encourage other agencies to conduct records management research studies.

Recommendations: The Administrator of General Services should direct the Archivist of the United States to request direct appropriations for the reimbursable technical assistance positions; report the results of technical assistance studies to OMB and Congress, including both needed improvements and agency actions; direct that the policy on agency participation in studies be followed; and revise billing and accounting practices for reimbursable technical assistance work so that payments are deposited in the proper appropriation accounts in compliance with 31 U.S.C. 701(c). When appropriated funds are received for presently reimbursable staff, the Administrator of General Services should direct the Archivist of the United States to develop policies, plans, and priorities for using NARS staff for technical assistance projects or other program activities. To improve records management activities, the Administrator of General Services should direct the Archivist of the United States to develop plans and establish priorities for using NARS staff resources to better address its records management responsibilities; accelerate development of standards, guidelines, and handbooks; develop policies and procedures, before awarding any future consulting contracts, to ensure that the contracts provide services that contribute to NARS records management programs; encourage agencies to provide more resources for records management studies and, if necessary, assert the Federal Records Act authority to do so; monitor training course attendance to determine agency participation and ensure that preparations are made to have instructors and materials available for scheduled courses; and send copies of inspection reports to OMB and appropriate congressional committees.

Agency Comments/Action

On August 15, 1980, the Administrator of GSA advised us that GSA concurs with the findings and recommendations and is in the process of implementing the recommendations.

Appropriations

Operating expenses - General Services Administration, National Archives and Records Service
Advances and reimbursements - General Services Administration, National Archives and Records Service

Appropriations Committee Issues

NARS could eliminate many of the deficiencies in the technical assistance program if the program was funded through direct appropriations. In addition, greater visibility and accountability to Congress can be achieved by direct appropriations for staffing NARS technical assistance program. This would enable NARS to set priorities for using its limited resources, thereby maximizing the potential impact.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Costs and Budgetary Impact of the General Services Administration's Purchase Contract Program (LCD-80-7, 10-17-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Public Buildings Act of 1959 (40 U.S.C. 602). Federal Property and Administration Services Act of 1949 (40 U.S.C. 490). Public Buildings Purchase Contract Act of 1954 (P.L. 83-519). Public Buildings Amendments of 1972 (P.L. 92-313).

A report compared purchase contracting with funding by appropriations (direct Federal construction) and leasing as a means for the General Services Administration (GSA) to finance the acquisition of space for Federal departments and agencies. Specifically, the report compared financial benefits and costs, budgetary impact, and secondary impact on local tax structure, and examined options to and possible pitfalls of the General Services 1972 purchase-contract program which expired in June 1975.

Findings/Conclusions: For several years, GSA has relied on leasing to meet increased space needs because limited funds were available either through or from the General Services Buildings Fund. Since the establishment of the Fund in 1972, approximately $65 million less per year has been available for new building construction than was available under direct appropriation. Purchase-contracting also helped to fill the growing need for Federal office and agency space. Since purchase-contracting permitted GSA to borrow construction funds, it avoided the need for large single-year appropriations by the Congress to fund new construction outlays and, by accelerating building construction, helped avoid some of the inflationary cost pressures on the approved projects. Through the sale of participation certificates and loans from private investors and the Federal Financing Bank, GSA was able to obtain financing for construction of 68 buildings. An analysis showed that, from the standpoint of the Fund, direct Federal construction is the most advantageous alternative for financing space acquisition. However, assuming only limited funds are available for direct Federal construction, it was suggested that purchase-contracting may be the most practicable alternative. Although purchase-contracting requires several more years than direct Federal construction before generating a budget surplus for the Fund and requires the Fund to bear the cost of local real estate taxes, it was found to have more favorable long-range budgetary impact than leasing.

Recommendations: If the Congress decides that new legislation is warranted granting GSA purchase-contract or other additional financing authority, it should limit that authority to direct loans from the Treasury or the Federal Financing Bank. If the Congress also decides that the Government should pay local real estate taxes on projects constructed under the new legislation, and continues to expect the Fund to provide adequate resources for construction, it should offset the adverse impact of tax payments on the budget of the Fund by making either (1) separate appropriations to GSA for taxes, or (2) direct appropriations to the Fund to cover tax payments.

Agency Comments/Action

No action was required by the agency.

Appropriations

Construction, rental of space, and prepayment on purchase contracts - General Services Administration

Appropriations Committee Issues

The Committees should query GSA about the inability of the Federal Buildings Fund to generate funds to (1) support a reasonable level of construction, and (2) bring about a meaningful reduction in leased space.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Firesafety Violations in Two Buildings Leased by the General Services Administration

(LCD-79-312, 5-22-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Occupational Safety and Health Act of 1970. Federal Property Management Regulations.

A review was made to determine the adequacy of fire protection measures in two buildings leased in Washington, D.C., by the General Services Administration (GSA). These buildings house about 4,900 employees of the Environmental Protection Agency (EPA) and the Department of Energy (DOE). The buildings must meet the local fire code, as well as comply with specific firesafety clauses in the leases.

Findings/Conclusions: Inspection of both buildings revealed numerous violations of the D.C. fire code and the leases. Neither building meets GSA current firesafety standards. These standards were revised, however, after the present leases were negotiated and will have to be incorporated when the leases are renewed. Occupants at the DOD building may not be adequately trained in emergency evacuation procedures because fire drills were not held as often as required. Although fire drills were held and a plan is in effect for the EPA building, frequent false fire alarms may have impaired the integrity of the system. Previous efforts to identify, correct, and prevent firesafety violations have not been adequate. GSA and the building tenants have not made inspections as often as required. Because of the laxity of GSA in enforcing lease requirements, the Government is not receiving the level of firesafety for which it is paying.

Recommendations: The Administrator of GSA should require both buildings to be inspected promptly in order to identify all firesafety violations and to see that all deficiencies are corrected. If the building owners do not promptly correct deficiencies that are their responsibility, the necessary work should be done with Government funds and the cost deducted from rental payments as authorized by the leases. The Administrator should work with the tenants of the buildings to establish an appropriate fire-prevention program, including education on proper housekeeping and building evacuation procedures. Tenants should be reminded that all work involving building services and firesafety matters should be coordinated with the Public Buildings Service to protect the Government's interests. In future Region 3 leasing negotiations, the Administrator should make sure that any deviations from established firesafety criteria are justified, approved, and documented.

Agency Comments/Action

The Administrator of GSA agreed with all of the report's recommendations and is establishing procedures to assure that firesafety requirements are being met in all leased buildings.

Appropriations

Operating expenses - General Services Administration, Public Buildings Service

Appropriations Committee Issues

The Committees should be concerned with whether GSA is spending Government funds for costs that should be borne by lessors.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA Found Lax in Enforcing Leases on Westwood Complex
(LCD-80-42, 4-7-80)

Budget Function: General Government: General Property and Records Management (0804)

GAO reviewed the General Services Administration's (GSA) lease administration and enforcement policies and procedures and GSA, Department of Health, Education, and Welfare (HEW), and National Institutes of Health (NIH) records pertinent to the leases and services at the two Westwood buildings over the last 5 years. GSA, HEW, NIH, and Montgomery County fire departments were interviewed by GAO concerning building services and conditions such as firesafety, maintenance, and cleaning and parking.

Findings/Conclusions: A recent fire inspection identified numerous violations, including faulty fire doors on eight floors of one building and seven floors of the other building. GSA, NIH, and the lessor have continually disagreed over maintenance responsibilities. Disagreements over firesafety problems call for the most urgent resolution. GSA has now determined responsibility for repair of the fire doors and other violations and has taken action to have the violations corrected. The efforts of GSA to secure maintenance and cleaning services for the Westwood complex have been ineffective. GSA should more aggressively discharge its responsibility to see that public funds are not used to pay for services that have not met contract requirements.

Recommendations: The Administrator of General Services should direct the contracting officer for the two Westwood building leases to enforce the Government's contractual rights more effectively.

Agency Comments/Action

GSA advised GAO that training for all contracting officers and realty specialists on more effective enforcement of the Government's contractual rights has been scheduled and should resolve the problems noted in the GAO review. In addition, the National Capital Region of GSA has instituted an expanded set of procedures to document lessor nonperformance and initiate corrective action for lessor nonperformance.

Appropriations

Operating expenses - Public Building Services

Appropriations Committee Issues

The Committees should be concerned with whether GSA is spending Government funds for services that have not met or do not meet contract requirements.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA Is Overcharging Some Federal Agencies for Protective Services

(LCD-80-93, 8-5-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: P.L. 92-313.

Under the law, the General Services Administratin (GSA) is directed to charge agencies rent for the space it provides, and the rental, or standard level user charges (SLUC), should approximate the commercial charges for comparable space and services. However, the law does not contain criteria or guidance for computing comparable commercial charges. Independent appraisers are contracted to estimate comparable commercial charges. While little guidance is given to the appraisers, they are told that the rates should reflect the SLUC, including cleaning, temperature control, illumination, and initial alterations. The form for recording assessments provides a space for including estimated security, or protection costs, but appraisers are not told whether, or at what level, protection services are to be included in estimating the rates. After receiving the appraisers' estimated fair annual rental rates, GSA adds anticipated inflation and a surcharge for guard and protection services to the beginning of the first fiscal year in which the rates are to be charged to the agencies.

Findings/Conclusions: A review of the GSA management of reimbursable services to Federal agencies in two of the ten GSA regions revealed that GSA had been overcharging some Federal agencies for protection services. This problem may well exist in the remaining GSA regions. It was suggested that GSA determine the amounts appraisers included in the rates for fiscal years 1980 and 1981 for protection service and reduce future billings by the amount of the overcharge. GSA did not agree with this, because it believed it has been undercharging tenants over the years due to lower than actual inflation factors included in the SLUC. GAO believed that charging tenants twice for protection was not equitable, and that the GSA failure to provide adequately for inflation in past billings was no justification for overcharging agencies for protection in future billings.

Recommendations: The Administrator, GSA, should direct the Commissioner, Public Buildings Service to issue guidance to appraisers which clearly eliminates consideration of protection costs when computing fair annual rental rates, since such costs are included in the GSA protection surcharge. He should be further directed to determine the amounts included by appraisers for protection costs in existing rental rates for all Federal agencies and reduce future billings by the amount of the overcharges.

Agency Comments/Action

No comments had been received as of the date that this report was prepared.

Appropriations

Various appropriations that include funds for rental payments to GSA

Appropriations Committee Issues

The Appropriations Committees should assure themselves that GSA has eliminated overcharges, where they may have occurred, in rental charges to various agencies.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

GSA Is Overly Restrictive in Its Implementation of the National Urban Policy in Fort Smith, Arkansas *(LCD-80-26, 12-6-79)*

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Federal Property and Administrative Services Act of 1949 (40 U.S.C. 490f).

GAO was requested to review the General Services Administration (GSA) proposal to relocate five Federal agencies in Fort Smith, Arkansas, to a single location in the downtown business district. The review covered (1) an evaluation of the rationale and criteria used to make the decision, (2) the procurement procedures followed to acquire the space, (3) the cost of relocating the agencies as compared to their remaining at their present locations, and (4) an evaluation of the accessibility to the public of the proposed location. **Findings/Conclusions:** Because existing regulations do not include criteria on the cost effectiveness of relocating agencies to the central part of cities, GSA decisions on relocation do not consider the cost to the Government of relocation. No existing buildings in the central business district could provide sufficient space to meet consolidated space requirements. When newly constructed space was sought GSA found only four sites available in the central business district on which a building could be erected. Only one offer was received on the space procurement. The GSA cost analysis made after the decision to relocate the agencies was made, revealed that relocation to the downtown area would cost about 10 percent more annually than if the agencies remained in their present locations. The GAO review indicated that the costs to consolidate downtown would be about 40 percent more annually. If located in the central business district, the agencies would be less accessible to the public when compared to their present locations. There is no public transportation in Fort Smith, and parking downtown is a major problem. Agency clients preferred the present suburban locations. Further, the downtown location could create a hardship for the aged and the handicapped due to the insufficient parking space and the lack of public transportation. GSA needs to improve its criteria for determining the locations of Federal agencies by requiring a cost comparison of the various location possibilities. The impact which a location has on an agency's ability to carry out its mission should be considered. **Recommendations:** GSA should take steps to ensure that it obtains competition to the maximum extent practicable in acquiring office space. The Administrator of GSA should ensure that the GSA revised space management regulations include criteria on the comparative cost effectiveness of relocating Federal agencies to central business areas or other alternatives which can satisfy the agencies' missions. Further, the Admininstrator of GSA should ensure that existing relocation criteria be more closely complied with so that a relocation does not adversely affect an agency's ability to carry out its mission.

Agency Comments/Action

GSA plans to revise its space management regulations to include cost criteria.

Appropriations

Federal Buildings Fund - General Services Administration, Public Buildings Service

Appropriations Committee Issues

The Committees should consider the possibility of reducing cost if criteria for relocation are adopted.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Standard Level User Charges Assessed to DOD by GSA

(LCD-80-18, 11-7-79)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: P.L. 92-313.

To determine if the objectives of Public Law 92-313 are being met and complied with and whether the Department of Defense (DOD) is receiving equal treatment with respect to standard level user charges assessed to it by the General Services Administration (GSA), GAO reviewed the computation and reasonableness of annual rental charges assessed DOD. The law authorizes and directs GSA to charge agencies for the space they occupy and services rendered. It states that the rental payments shall approximate commercial charges for comparable space and services, but does not contain criteria or guidance for computing comparable commercial rates. The rental rates for the 57 office-type buildings occupied by DOD in the National Capital area are computed for fiscal years 1979, 1980, and 1981 by reappraising one-third of the buildings each year and establishing a new rental rate for the next 3 years based on the reappraisals.

Findings/Conclusions: According to DOD, the rental rates it pays are either more than GSA pays under its lease contracts, or more than DOD could obtain on the open market. On an overall basis, the charges assessed to tenant agencies is more than the rent GSA paid to lessors. On long-term leases the charges to agencies exceed rent payments to lessors because charges to agencies are adjusted every 3 years, while rent payments to lessors on most long-term leases entered into before fiscal year 1974 are fixed and the leases do not include escalation clauses. Although the law directs GSA to charge agencies comparable commercial rates, GSA does not have a basis to charge agencies at a rate based on cost. DOD has expressed concern about the increases in rental rates within the National Capital area. Since there is an increasing demand for office space within this area, there have been increases in commercial rental rates. These commercial rates determine the size of the increase in rates paid by agencies because the rates charged are based on appraisals of comparable buildings. Frequently, agencies pay for space alterations for which GSA is not in a position to pay. After the space has been altered and upgraded, GSA will reclassify it and charge the agencies a higher rental rate. GAO believes that tenant agencies are justified in questioning the reasonableness of this practice. In situations such as these, the agency should receive a credit for financing the alterations as a reduction against the user charge payments.

Recommendations: The Administrator of GSA should discontinue the practice of assessing higher rental rates on building improvements unless justified by increased commercial value increases and after providing adjustments for alterations financed by tenant agencies.

Agency Comments/Action

GSA does not agree with the recommendations.

Appropriations

Federal Buildings Fund - General Services Administration

Appropriations Committee Issues

The Committees should determine what action GSA is taking to implement the GAO recommendations.

GOVERNMENT PRINTING OFFICE

GPO Can Improve Traffic Management Practices

(LCD-80-37, 2-28-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Interstate Commerce Act, Part 4 (49 U.S.C. 10721).

A majority of the Government Printing Office's (GPO) printing and binding services are performed by commercial firms. Transportation costs for the outside procurements are often not shown separately, but indications are that they are sizable. GAO reviewed the traffic management practices in GPO.

Findings/Conclusions: GAO found that GPO could have realized large savings in transportation costs by taking advantage of special Government transportation rates. Also, GPO sometimes relied on incorrect or outdated rate tenders in routing its traffic. One of the primary reasons that GPO had not been obtaining the lowest transportation rates was that it was not aware of the transportation costs being paid by its contractors. It used free-on-board (FOB) destination delivery terms, when a better procurement method would have been to require that bids be submitted on both FOB destination and FOB origin (GPO would arrange the transportation) bases. GAO felt that GPO should give greater consideration to transportation factors when making procurement decisions. Almost all of the Government bills of lading issued by GPO were for small shipments. Through experience, Government agencies have found that it was less costly to use commercial forms for small shipments. Another problem with the Government bills of lading concerned those in the hands of contractors. GPO handed out 18,000 blank accountable forms to contractors in fiscal year 1978. Several thousand of these were unaccounted for as of December 1979.

Recommendations: The Public Printer should: (1) issue regulations requiring that bidders on procurement contracts submit their bids on both FOB destination and FOB origin bases; (2) make the transportation cost analyses needed to identify the lowest overall transportation costs and take the steps required to obtain these lowest costs; (3) take full advantage of section 10721 rates; (4) make sure up-to-date rate tenders are used; (5) require the use of commercial bills of lading on small shipments; and (6) adopt measures that will improve accountability controls over blank Government bills of lading in the hands of contractors.

Agency Comments/Action

GPO agreed with the recommendations. It plans to issue regulations requiring bids on both FOB destination and FOB origin bases and make the analysis needed to identify the lowest overall transportation costs.

Appropriations

Printing and binding - Government Printing Office

Appropriations Committee Issues

The Committees should direct GPO to give greater consideration to transportation factors when making procurement decisions. Large savings in transportation costs can be realized through a better awareness of the importance of these transportation factors.

INTERSTATE COMMERCE COMMISSION

Energy Conservation Competes with Regulatory Objectives for Truckers

(CED-77-79, 7-8-77)

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (0403)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Interstate Commerce Act, as amended (49 U.S.C. 1 et seq.).

Interstate Commerce Commission (ICC) measures to reduce energy use by trucks have been limited because the Commission is guided by its traditional regulatory objectives of protecting existing regulated truckers and making certain that service is adequate.

Findings/Conclusions: The ICC does not have enough information on energy conservation measures to use in its decisionmaking. Energy conservation programs for surface transportation will have only limited success until a national policy clearly establishes the relative priority of energy conservation and regulatory objectives.

Recommendations: Congress should enact legislation which shows whether energy conservation or traditional regulatory objectives are more important and allows the ICC to change its regulations to authorize intercorporate transportation if it does not otherwise conflict with the national priorities established. The ICC should develop enough information to determine how its energy-related decisions will affect competition and service. The Chairman of the Commission should determine: the validity of the rule that truckers wanting to use a route that would reduce mileage by more than 20 percent must apply to the ICC and prove that competitors will not be affected; the continued need for any limitations on shipping truck trailers on railcars; and the reasons for empty mileage and its effect on competition and service to the public.

Agency Comments/Action

The Commission agreed that its energy conservation actions had been tempered by its overriding concern that nothing be done to deprive the public of high-quality surface transportation service. The Commission said, in some instances, more fuel could be saved if its primary regulatory objectives were subordinated. Since we issued our report, ICC has complied with our recommendation to determine the validity of the 20 percent rule. It has not, however, decided whether to determine the reasons for empty mileage and the impact on competition and service to the public of possible solutions.

Appropriations

Salaries and expenses - Interstate Commerce Commission

Appropriations Committee Issues

Congressional guidance is needed on the relative priority of energy conservation and traditional, sometimes competing, regulatory objectives.

INTERSTATE COMMERCE COMMISSION

ICC's Enforcement Program Can Be More Effective in Halting Violations and Preventing Their Recurrence (CED-80-57, 5-19-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Interstate Commerce Act, Part 4 (49 U.S.C. 10101 et seq.). Claims Collection Act (31 U.S.C. 951 et seq.). Department of Energy Organization Act (P.L. 95-91). 4 C.F.R. 102.1. 4 C.F.R. 102.2. 49 U.S.C. 10901(a). 49 U.S.C. 10901(g). 49 U.S.C. 11702. 49 U.S.C. 11903-11914. 28 U.S.C. 543. 28 U.S.C. 519.

The Interstate Commerce Commission's (ICC) enforcement program has encountered problems in deterring violations of interstate commerce legislation through use of its most common enforcement tools; civil penalty settlements and court actions.

Findings/Conclusions: ICC uses civil penalties more often that any other enforcement tool, yet they cannot be used for some major violations, are not obtained in a timely manner, and result in small settlements. ICC could improve the timeliness of civil penalty settlements by making sure that its attorneys follow Federal claim collections standards and by establishing and implementing policies for terminating negotiations. ICC lacks the authority to file civil court actions to collect penalties, and some ICC attorneys are reluctant to press for higher penalties knowing that if the violator resists, the case must be referred to the U.S. attorney for collection. Referrals result in only slightly larger average penalties, and ICC attorneys believe that referral substantially delays completion of the case. The use of court actions, essential to stimulate compliance where civil penalties may not provide a strong enough deterrent, is limited because of ICC problems with U.S. attorneys' handling of criminal court actions and lack of an ICC followup investigation program. Lack of a program for timely reinvestigations following successful court actions may jeopardize the deterrent value of such actions.

Recommendations: The Chairman, ICC, should uniformly follow Federal claim collection standards, establish and adhere to specific criteria for terminating settlement negotiations and initiating court collections in a timely manner, and document and use as many identified violations as are feasible to support civil penalty claims. Further, the Chairman and the Attorney General, Department of Justice, should reach an agreement authorizing ICC attorneys to handle civil penalty collections when their out-of-court negotiations are exhausted. The Chairman and the Attorney General should enter into an agreement which would ensure more timely and effective judicial handling of criminal actions. The agreement should designate, where possible, a senior ICC attorney in each region with authority to prosecute ICC criminal court actions whenever U.S. attorneys' workloads or other factors prevent timely handling; and develop a procedure for bringing unresolved problems between U.S. attorneys' offices and ICC field offices promptly to the attention of the Attorney General and the Chairman for disposition. The Chairman should establish a followup investigation system in each region to timely monitor compliance of those who have received civil injunctions, contempt actions, or criminal fines whenever it appears that violations may continue or be resumed. Congress should amend interstate commerce legislation to (1) make civil penalties applicable to all types of motor carrier violations as well as to shippers and others that aid and abet these violations, and (2) establish a minimum civil penalty for motor carrier violations and increase the maximum penalty.

Agency Comments/Action

ICC generally agreed with the report findings and recommendations. However, with regard to handling court actions for collection of civil penalties, ICC prefers to seek statutory authority for civil litigation in lieu of an agreement with the Department of Justice delegating such authority. GAO believes that the recommended agreement is appropriate because it could be developed rapidly and could eliminate the need for statutory changes. The Department of Justice agreed that the present statutory maximum civil penalty should be raised and a minimum established. Justice does not believe it is necessary to authorize ICC attorneys to handle civil penalty court collection actions or to facilitate conduct of criminal litigation by designating selected ICC attorneys as standing special assistant U.S. attorneys. Justice does not believe there is a problem with delays or declinations of ICC cases by U.S. attorney's offices. With regard to this latter point, the statistics presented in Justice's own comments indicate a problem exists. The data show that over 50 percent of ICC cases currently on hand at Justice have been there for a year or more. Justice believes that authorizing ICC attorneys to handle ICC civil and criminal cases would be unsound and would result in a diminution of the Department's ability to perform its basic and traditional function of coordinating Government litigation. Justice also notes that authority for litigating civil and criminal cases as recomended by GAO cannot be delegated under existing statutes. GAO disagrees. For civil penalty collection cases, Justice could require that ICC attorneys (1) seek the advice of U.S. attorneys whenever a civil penalty collection action involves issues of construction or constitutionality of Federal statutes, or of Government-wide significance; (2) provide U.S. attorneys with copies of pleadings, motions, and other key legal documents; and (3) take any other coordinating actions deemed necessary by the Department. Justice had already employed requirements similar to these as part of a memorandum of understanding between it and the Veterans Administration. For criminal litigation, GAO anticipates that Justice could fulfill its coordination responsibilities by requiring close consultation between the U.S. attorney and the ICC special assistant at the time a decision is reached to prosecute a case. The Department could also require the special assistant to take other coordinative actions during the course of litigation, such as those mentioned above for civil cases.

Appropriations

Salaries and expenses - Interstate Commerce Commission

Appropriations Committee Issues

To make ICC enforcement more effective, Congress should amend interstate commerce legislation to (1) make civil penalties applicable to all types of motor carrier violations as well as to shippers and others that aid and abet these violations and (2) establish a minimum civil penalty for motor carrier violations and increase the maximum penalty. The Chairman, ICC, and the Attorney General, Department of Justice, need to take various administrative actions to strengthen the ICC enforcement program.

INTERSTATE COMMERCE COMMISSION

ICC's Expansion of Unregulated Motor Carrier Commercial Zones Has Had Little or No Effect on Carriers and Shippers

(CED-78-124, 6-26-78)

Budget Function: Commerce and Transportation: Ground Transportation (0404)
Legislative Authority: Motor Carrier Act of 1935 (49 U.S.C. 301).

Recognizing that changes have occurred in the location of business and industrial activity since the Interstate Commerce Commission (ICC) established commercial zones in the 1930's, the ICC expanded its commercial zones in 1975. The effect of the expanded commercial zones on motor carriers in terms of changes in tonnage, area served, rates, revenues, operations, and competition was examined through the use of questionnaires sent to carriers and shippers of 12 zones.

Findings/Conclusions: The expansion had little or no effect on most carriers' volume of shipments, rates, revenue, interlining, and certain aspects of operations. Some carriers experienced a change in the size of the area they served, rate competition, and service competition. The expansion had a negligible effect on most shippers' rates and service. Officials of chambers of commerce, public utilities commissions, planning agencies, and carriers and shippers agreed that the expansion was generally adequate. The effect on most carriers and shippers may change at a future time because of a shift in economic conditions or because of industrial expansion; the commercial zone expansion needs to be continually monitored by the ICC.

Recommendations: The Chairman of the ICC should establish procedures to monitor the effect and the adequacy of the commercial zone expansion and make adjustments or modifications as warranted.

Agency Comments/Action

In March 1980, ICC officials said that although they still plan to conduct the review it has been temporarily deferred until various regulations, policy, and organizational changes are made at ICC.

Appropriations

Salaries and expenses - Interstate Commerce Commission

Appropriations Committee Issues

Because the Commission needs to review the effects of the commercial zone expansion, the Committees should be sure that the Commission has sufficient resources to carry out its planning effort.

INTERSTATE COMMERCE COMMISSION

"Weight Bumping"--Falsifying Household Moving Weights To Increase Charges--What ICC Needs To Do

(CED-79-75, 5-1-79)

Budget Function: Transportation: Ground Transportation (0404)

About 1 million American households which move each year are not being protected adequately against the practice of "weight bumping" which artificially increases the cost of moving. Weight bumping is the falsifying of weights of household goods shipments to increase transportation charges.

Findings/Conclusions: The Interstate Commerce Commission (ICC) and the moving industry agree that weight bumping is a problem; they disagree on its extent. There are no ICC regulations concerning weighmasters and scale operations and only limited regulations governing weight tickets. Accordingly, ICC must rely on State and local governments to regulate weighing activities. This reliance has serious shortcomings because of insufficient and inadequate State and local controls.

Recommendations: The Chairman of the ICC should: direct a comprehensive study so that ICC may better measure the extent of the problem and thus assign the appropriate level of investigative and enforcement action to deal with it; establish regulations regarding the weighing of interstate household goods shipments to prevent weight bumping; and establish unannounced periodic inspections at weigh stations with State assistance, and investigations to reduce the practice. The Secretary of Defense should direct the Military Traffic Management Command to develop procedures for identifying shipments that warrant investigation for possible weight bumping and providing the information to the proper Defense organizations for investigation.

Agency Comments/Action

In hearings before the Senate Appropriations Subcommittee on fiscal year 1980 Appropriations, ICC said it has plans to implement all the recommendations.

Appropriations

Salaries and expenses - Interstate Commerce Commission

Appropriations Committee Issues

The Subcommittee should review the progress being made to improve the controls over weighing operations to detect and prevent weight bumping.

LEGAL SERVICES CORPORATION

Quality Civil Legal Services for the Poor and Near Poor Are Possible Through Improved Productivity
(FGMSD-79-46, 10-19-79)

Budget Function: Financial Management and Information Systems (1100)
Legislative Authority: Economic Opportunity Act of 1964 (P.L. 88-452).

The cost to the Federal Government of providing quality civil legal services to the poor was compared to the cost of comparable services provided by private companies. The Legal Services Corporation (LSC), established in 1974 as a non-profit corporation, is the chief Federal source of legal aid for the poor and near poor.

Findings/Conclusions: It was found that the majority of private prepaid legal plans are employee funded and that their services are so different from those of federally funded programs that unit costs were generally not comparable; however, certain observations were made. Public sector attorney costs averaged $17 hourly while private sector charges averaged $40 hourly, including overhead. For routine civil matters, the efficiency level was about the same in both sectors. As the result of increased automation, significant potential cost and delivery improvements were apparent in both sectors, particularly where standard, routine legal services were concerned. It was suggested that the LSC could develop and disseminate legal automation techniques through a research and demonstration program. Besides increasing the cost and delivery potential of LSC grantees, such a program would make legal services more affordable for middle-income citizens who are currently unable to afford private legal services. The study revealed that LSC had no management information systems for obtaining the data needed to evaluate the cost effectiveness of its programs. LSC had begun efforts to develop local and national management information at the time of the study, and LSC planned to report on its progress by early 1980.

Recommendations: The president of LSC should improve the productivity of civil legal aid by developing and instituting a research and demonstration program aimed toward systemizing and automating the operations of Corporation grantees.

Agency Comments/Action

The President of the Legal Services Corporation requested $2,650 million in its Fiscal Year 1981 budget to make substantial technological improvements to its operations through multi-use systems. The Corporation would provide assistance to programs on a cost sharing basis, to adapt systems for broader purposes where they now exist, and to facilitate communications among programs that have not taken such steps. These funds would provide a minimum multi-use system for 100 legal services offices, technical assistance and development and bulk purchase of software at substantial savings to local programs. These actions were taken in response to the recommendations of the GAO report.

Appropriations

Departments of State, Justice, and Commerce, the Judiciary and related agencies

Appropriations Committee Issues

When evaluating the Legal Services Corporation budget request, the Committees should assure themselves that the cost estimates are realistic.

LIBRARY OF CONGRESS

Library of Congress' Revolving Trust Funds
(FGMSD-80-76, 9-24-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: 2 U.S.C. 160.

GAO reviewed the Library of Congress' use of its gift authority to establish revolving funds.

Findings/Conclusions: The Library has used its gift authority to establish at least 24 revolving funds, none of which has been specifically authorized by Congress. These revolving funds were not properly accounted for by the Library, nor were the activities financed by the funds fully disclosed to Congress. In establishing the funds, Library officials relied on the Library's authority to accept and use gifts as the donor intended. Together these funds generate approximately $3.7 million annually in receipts from various activities. Among other things, the activities include a photoduplication service, a recording laboratory, and various publications. The Library's disclosure of these activities in the Federal Budget Appendix is inadequate, and its accounting, budgeting, and reporting of them do not meet prescribed procedures. These factors serve to limit congressional knowledge of the Library's revolving funds.

Recommendations: The Librarian should (1) request specific statutory authorization for each revolving fund activity currently operated by the Library which generates revenues exceeding the scope of the donor's gift, and (2) implement all established accounting procedures and regulations governing revolving funds.

Agency Comments/Action

No agency comments were received as of October 15, 1980.

Appropriations

Gift and trust fund accounts - Library of Congress

Appropriations Committee Issues

The Committees should make sure the Library of Congress submits appropriate financial statements for any of its activities that are funded on a revolving basis.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

A Look at NASA's Aircraft Energy Efficiency Program

(PSAD-80-50, 7-28-80)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251)
Legislative Authority: National Aeronautics and Space Act of 1958.

The Aircraft Energy Efficiency Program is a 10-year effort of the National Aeronautics and Space Administration (NASA) to accelerate the development of various aeronautical technologies which would make future transport aircraft up to 50 percent more fuel efficient than today's aircraft. The program was to be completed by the end of 1985. It is a collection of six distinct but interrelated projects, each managed separately. The program has had some successes in demonstrating technical advances applicable to existing and derivative aircraft and has moved the aircraft industry into earlier applications for realizing potentially significant fuel savings. Three of the projects will not be completed before 1987-89 because of funding constraints, the need to acquire more basic data before proceeding with the technology development, and possible adverse environmental effects of composite material. Since these three projects are crucial to the ultimate goal of improving aircraft fuel efficiency, it is difficult to predict whether the program will meet its projected fuel savings. NASA estimates of program costs total $984 million, over $300 million more than originally estimated.

Findings/Conclusions: NASA and the Department of Defense have established several formal and informal means of coordinating their composite materials and propulsion research activities. Coordination has helped to prevent duplication. To ensure its continuity and future benefits, program coordination should be formalized. NASA reports to congressional committees on the status of the program are voluminous and only generally explain the significance of program changes. Using a standard format for reporting on the status of the program would provide Congress with meaningful, consistent, and concise information which would avoid misunderstandings and improve committee preparation for annual hearings. NASA has been encouraged to increase emphasis on focused efforts that have nearer term payoff, while also being encouraged to increase long-term, basic research work. Without a significant increase in resources, NASA cannot satisfy both of these demands. There is a need for the development of policy guidance and direction to maintain a balanced aeronautical research and technology program that will be responsive to national needs. A policy statement to clearly define the NASA role in aeronautics was begun, but higher priorities forestalled these efforts. A policy statement would provide NASA management with improved guidance for more effective application of its resources and national needs.

Recommendations: The NASA Administrator should prepare semiannual project status reports for the Aircraft Energy Efficiency program and similar large future aeronautical programs which show original and current estimated costs, schedule, technical characteristics, and reasons for any variances experienced. The Director of the Office of Science and Technology Policy and the NASA Administrator should renew their efforts and propose an aeronautics policy statement to the President and Congress. This statement should give special attention to the conflicting pressures on NASA to do more basic, long-term work and more focused, near-term work at the same time, and should draw the distinction between the NASA role and industry's role in developing aeronautical technology. The NASA Administrator and the Secretary of Defense should formalize the organization and responsibilities of the two agencies in the composites interdependency program.

Agency Comments/Action

In responding to the GAO draft report, NASA questioned the value of preparing semiannual project status reports for the Aircraft Energy Efficiency program and similar aeronautical programs. NASA did not respond to the recommendation that NASA formalize the organization and responsibilities in the composites interdependency program. GAO has not received the agency's response to the final report.

Appropriations

Research and development - National Aeronautics and Space Administration
Construction of facilities - National Aeronautics and Space Administration
Research program management - National Aeronautics and Space Administration

Appropriations Committee Issues

The committees should require NASA to prepare semiannual project status reports for the Aircraft Energy Efficiency program and similar large future aeronautical programs.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

NASA Should Provide the Congress Complete Cost Information on the Space Telescope Program *(PSAD-80-15, 1-3-80)*

Budget Function: General Science, Space, and Technology: Space Science, Applications, and Technology (0254)

The National Aeronautics and Space Administration (NASA) plans to launch a space telescope aboard the space shuttle in 1983. The program is on schedule and within its budget, and all the telescope's scientific instruments should meet or exceed the established performance requirements. GAO believes that NASA should provide Congress with better financial information on this project.

Findings/Conclusions: On a recent status report, NASA listed its development cost estimates for the telescope project but did not show the portion of those costs which consist of project reserves. Also, the report did not show contract cost growth information. NASA believes that publication of detailed data in quasi-public documents would prejudice their contract negotiating position. GAO felt that negotiated contract prices, contract changes, and total project reserves could be reported without prejudicing the Government's interests. Development cost estimates were understated. Items such as civil service salaries, early study efforts, and inflation were not included in the estimates. Also, the status report did not include life-cycle costs for the project. NASA officials opposed including cost elements over which the Project Manager had little or no control. However, GAO felt that since all costs have an impact on the NASA budget, they should be included so that Congress can make informed judgments on the program's future.

Recommendations: The NASA Administrator should make sure that future project status reports on the space telescope include (1) the amount of reserve funds in the initial project cost estimate presented to the Congress, (2) the current amount of reserve funds and an explanation of the variance, (3) the initial negotiated and current contract prices and an explanation of the variance; (4) total project development costs which include civil service salaries and early study efforts; (5) cost estimates in budget-year dollars with projection of total development costs at different inflation rates, and (6) an estimate of life-cycle costs with projections of these costs at different inflation rates.

Agency Comments/Action

NASA has not adopted the recommendations. The Agency is willing to make available to any Member of Congress, on a request basis, whatever financial data he may require or a given subject. However, NASA is opposed to publishing certain financial data in project status reports.

Appropriations

Research and development - National Aeronautics and Space Administration

Construction of facilities - National Aeronautics and Space Administration

Research and program management - National Aeronautics and Space Administration

Appropriations Committee Issues

Providing cost information only on a request basis to individual members of Congress will not provide the Committees with total visibility. The Committees should require that NASA adopt the GAO recommendations. They then will be in a more informed position to determine a project's progress and outlook.

NATIONAL TRANSPORTATION SAFETY BOARD

Transportation Safety Board Could Improve Its Planning Process

(CED-80-101, 5-28-80)

Budget Function: Transportation: Other Transportation (0407)
Legislative Authority: Independent Safety Board Act of 1974 (49 U.S.C. 1901).

The National Transportation Safety Board's planning process could be more efficient and comprehensive. The Board is an independent Government agency designated to promote transportation safety by investigating accidents and recommending safety improvements.

Findings/Conclusions: Considering the Board's many functions and components and its limited staff and resources, planning should be a key function. A comprehensive planning process involves several steps: defining the organization's mission; setting clear, specific goals and objectives; setting priorities for achieving goals and objectives; implementing the plan; and providing feedback. The Board needs to establish a more effective comprehensive planning process.

Recommendations: The Chairman of the National Transportation Safety Board should: (1) separate strategic planning from the budget process by requiring a specific long-range plan; (2) assure that the long-range plan includes a clear definition of the Board's mission, quanitifiable goals and objectives, and priorities; (3) strengthen the Board's budget process by requiring that the budget show the total resources used to carry out programs and functions, and the relationship between programs and functions, and short-term objectives and the long-range plan; and (4) assure that a formal program evaluation plan is developed for determining whether Board programs and activities are achieving established goals and objectives, meeting performance expectations, or producing other significant effects.

Agency Comments/Action

The Board's Managing Director questioned whether the Board needed a better planning process because of the Board's small size and the directions the Managing Director provided in his day-to-day contacts with key executives. GAO believes planning should be a key management function in all agencies regardless of size. Further, the managing Director's day-to-day contacts with executives does not provide a coordinated/systematic approach to planning.

Appropriations

Salaries and expenses - National Transportation Safety Board

Appropriations Committee Issues

A better planning process would help the Board accomplish its mission, goals and objectives; evaluate its performance; and identify weak and ineffective programs and activities, matters which should be of interest to the Committees. Further, if the Board's budget were strengthened, the Committees would have additional information to improve its review of the budget.

OFFICE OF MANAGEMENT AND BUDGET

Delays in Definitizing Letter Contracts Can Be Costly to the Government

(PSAD-80-10, 11-16-79)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)

A review of the use of letter contracts by the Army and the Navy was made to determine whether such contracts were being definitized in a timely manner and the impact of any untimely definitizations. Frequent delays in definitizations which exceeded the time limits set forth in Department of Defense regulations sometimes compromised the Government's negotiating position and thus increased costs. In addition, neither the Army nor the Navy exercised the unilateral determination clause which provides the authority for the contracting officer to unilaterally set the price when agreement cannot be reached in definitization negotiations. Selected letter contract data from specific Army and Navy operations were analyzed, and a detailed examination was made of procurement records for 87 of the 389 letter contracts awarded between July 1, 1973, and March 30, 1979, that had not been definitized within the time period set out in Defense regulations. Letter contracts are the least desirable method of contracting for supplies and services and can be costly to the Government, because under a letter contract, the contractor has little incentive to control costs. Delays in definitization usually allow the contractor to accumulate more actual costs, which gives the advantage in the negotiations to the contractor. Thus, timely definitization is necessary to assure that the Government obtains a fair and reasonable price.

Findings/Conclusions: In many instances, the time taken to definitize letter contracts greatly exceeded that set forth in Defense regulations. In the case of many Navy letter contracts, the Navy did not reflect this situation by negotiating lower profit rates commensurate with the decrease in cost risk. In other instances, the delays caused the Government to incur costs that the contractor would normally bear. Despite Navy promises to take corrective action, the situation had not improved since the Naval Audit Service began periodic reports on delays in December 1968. GAO determined that judicious use of the unilateral determination clause could lessen the time period for definitizing letter contracts. Procurement officials indicated several reasons for their reluctance to use this clause when negotiations become stalemated. Among these were the belief that it might cause sole-source contractors to become difficult to negotiate with in the future; the infeasibility of making price determinations based on estimates or judgments in certain types of procurements; the questionable timeliness, cost, and feasibility of making and litigating such actions; and the timeliness of a decision under the contract disputes procedures. GAO viewed these arguments as conjectural and suggested that they be tested in some actual cases to determine the long-term benefits and costs. The possible long-term benefits of demonstrating the Government's willingness to use its unilateral determination authority when contractors delay negotiations may easily justify any cost and delay involved in litigating a few cases.

Recommendations: The Secretary of Defense should establish specific guidelines for contracting officers to use in determining when to unilaterally definitize letter contracts instead of leaving this determination to the discretion of the contracting officer. The regulations should trigger such unilateral action when the contractor has incurred some specified percentage of the total estimated cost of the procurement. In addition, military departments should be required to recognize significant cost reimbursements enjoyed by contractors under letter contracts when negotiating profit.

Agency Comments/Action

DOD stated that, although it believes that flexibility and individual judgment are required in determining when to unilaterally definitize letter contracts, it will initiate a case for the Defense Acquisition Regulatory Council to consider the feasibility and appropriateness of establishing guidelines as suggested in the GAO report. DOD will also immediately request the Services to place increased emphasis on the timely definitization of letter contracts and the possible use of unilateral determinations of contract price or fee to meet this end.

Appropriations

Procurement - Army, Navy

Appropriations Committee Issues

The Committee should monitor the Services' progress in implementing these corrective actions.

OFFICE OF MANAGEMENT AND BUDGET

Economic and Operational Benefits in Local Telephone Services Can Be Achieved Through Government-Wide Coordination

(LCD-80-9, 11-14-79)

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258)

Legislative Authority: Federal Property and Administrative Services Act of 1949 (40 U.S.C. 481). F.P.M.R. Subch. F, 101-37.

Twelve Federal departments and agencies spend at least $219 million annually for local telephone services. Significant savings and improved operations could be achieved by consolidating and modernizing these services. A few consolidations and modernizations have been made, but not on a coordinated Government-wide basis.

Findings/Conclusions: Several studies have been made of the feasibility of consolidating Government local telephone services in specific metropolitan areas. They have demonstrated potential economic and operational benefits. However, some government agencies have been independently planning modernizations without considering the needs of other Federal organizations in the vicinity. The Government needs to establish policies, guidelines, and procedures for consolidating on a coordinated Government-wide basis. The General Services Administration has responsibility for providing communications services for the agencies, but often delegates this authority to the agencies. Lack of coordination and cooperation between the agencies and the General Services Administration has led to inaction.

Recommendations: The Director of the Office of Management and Budget should solicit from the Department of Commerce's National Telecommunications and Information Administration policies for coordinating, establishing, operating, procuring, and managing Government-wide consolidation and modernization of local telephone services. He should develop a policy for a local telephone service program that (1) requires consolidation and modernization on a coordinated Government-wide basis where economically and operationally beneficial, (2) assigns organizational responsibilities, (3) directs the development of implementing guidelines, procedures, and/or standards, and (4) defines a system for reporting on progress.

Agency Comments/Action

OMB generally agreed with the report and said that it plans to develop policies, as appropriate, to improve the management of Government used local telephone services.

Appropriations

All Federal agencies

Appropriations Committee Issues

The use of telecommunications technology in maximizing the economic and operational benefits to the Government will continue not being fully achieved unless some definitive Government-wide policies or guidelines are developed.

OFFICE OF MANAGEMENT AND BUDGET

Federal Agency Roles and Responsibilities for Emergency Communications Need Clarification

(LCD-80-91, 8-8-80)

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258)

Legislative Authority:

GAO reviewed the June 1979 report of the Interagency Committee on Search and Rescue which proposed a national Emergency Response Communications Program to determine the Federal agencies' and offices' responsibilities for emergency communications and determine plans for following up on the report findings. The Committee envisioned a satellite system which would provide voice, data, and video coverage to mobile and fixed station users in all 50 States, Puerto Rico, and the Virgin Islands. Because the satellite system envisioned is beyond state-of-the-art technology, it will require substantial research and development effort.

Findings/Conclusions: The report is not a reliable basis for decisionmaking because the Committee did not establish the need for the program, examine alternatives, or adequately consider the program's cost and funding. In developing the program, the Committee did not follow the Office of Management and Budget (OMB) guidelines intended to ensure that system development will not begin until a need has been verified. Because the Committee assumed the need existed and the system should be developed to meet the need, the Committee failed to examine alternative systems. A number of potential users advised the Committee that they could not fund the program. As a result, the Committee chose to omit a discussion of the cost, even though the program is expected to cost as much as $1 billion. The Committee believes the Government should fund the research and development, first launch, and testing of the system, and once operational, the users would pay to operate and maintain the system. This is not consistent with Presidential directives which look to private industry rather than the Government to provide the needed services. The same services are already provided by the Dispersed Users Satellite Program, and two other efforts have been initiated to improve emergency communications. These activities are duplicative and inconsistent. Confusion of Federal agencies' responsibilities for emergency communications have existed since the Office of Telecommunications Policy was abolished. A clear understanding of the lines of authority and responsibility for telecommunications at all levels of Government is needed.

Recommendations: The Director of OMB, in coordination with other Federal agencies and offices involved, should clarify roles and responsibilities for emergency communications so that duplications and inconsistencies can be eliminated. Pending the clarification of roles and responsibilities, no further action should be taken on the Interagency Committee's Emergency Response Communications Program, and further efforts to develop a national emergency communications system should be consistent with existing laws, policies, and regulations.

Agency Comments/Action

The great majority of the civil and military agencies commenting agreed with the GAO findings, conclusions, and recommendations. OMB said it would reserve detailed comment until it had received the final report.

Appropriations

Various appropriations - Various civil and military agencies

Appropriations Committee Issues

Oversight of the Appropriations Committees should assure that duplications and inconsistencies noted in this report are eliminated.

OFFICE OF MANAGEMENT AND BUDGET

Problems With the Dissemination of Information on Federal Assistance Programs

(GGD-80-32, 2-8-80)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Federal Program Information Act (P.L. 95-220). P.L. 91-230.

In an effort to meet the complaints by Federal aid recipients about the scarcity of information available on Federal programs, the Office of Management and Budget's (OMB) Federal Assistance Information Data Base and the Catalog of Federal Domestic Assistance (Catalog) were reviewed. The data base was created to be a complete listing of Federal domestic assistance programs and to serve as the primary source of program information. From this data base, information can be obtained by the general public through the Federal Assistance Program Retrieval System and the Catalog. Certain shortcomings were found in the data base. Specifically, it was found that many programs are not included in the data base and information in the Catalog was not as easy to access as it could be.

Findings/Conclusions: As a result of the incompleteness of the data base, prospective Federal aid recipients are not being provided with information on all domestic assistance programs as required by Federal law. The data base's incompleteness resulted because: (1) the information used to create the data base was incomplete to start with and little has been done to complete it; (2) programs are being excluded from the data base when they should not be; and (3) all new programs are not being added as soon as they should be. Even with a complete inventory of Federal domestic assistance programs, the usefulness of the inventory to potential Federal aid recipients depends on the ability of the potential recipients to find the program which meets their needs. The present data base indexes are not set up to make a search for assistance as easy as possible, nor are they detailed enough to cover all of the activities within a program. To better serve potential aid recipients, the Catalog's subject, functional, and proper name indexes should be folded into one alphabetical keyword index. Such an index should focus on the purposes of the assistance and guide readers to the appropriate assistance through the use of terms familiar to the readers. In addition, specialized catalogs which have not been approved by OMB and which do not use the OMB information data base as the source of information have undermined the Catalog as the single authoritative compilation of Federal domestic assistance, and have increased the chances of publishing conflicting program information.

Recommendations: To further the purpose of dissemination of information on Federal Assistance Programs the Director of OMB should: (1) revise OMB Circular A-89 and update the Catalog instructions to reflect the new reporting requirements of the Federal Program Information Act, and reemphasize the need for the timely reporting of new programs; (2) increase the oversight to insure that Federal agencies report all Federal domestic assistance programs; (3) reinstate those ongoing domestic assistance programs previously deleted; (4) establish, with the assistance of an indexing specialist, an alphabetical keyword index for the data base in lieu of the subject, functional, and popular name indexes; and (5) reemphasize to Federal agencies that all specialized catalogs must be approved by OMB before the catalogs can be published.

Agency Comments/Action

OMB said it will improve the existing data base on availability of Federal assistance by keeping it more current and complete, and said it will rely less on Federal agencies to provide information. OMB also said it is taking steps to improve the data base on funds awarded in assistance awards by accessing directly the individual Federal agency data bases.

Appropriations

All civil and defense agencies with domestic assistance programs

Appropriations Committee Issues

Congressional oversight of Federal spending depends on complete and accurate information on how Federal agencies use their appropriation authority. Although OMB has taken steps to improve this information, the Committees should continue to monitor the effectiveness of OMB efforts.

OFFICE OF MANAGEMENT AND BUDGET

Reduced Communications Costs Through Centralized Management of Multiplex Systems

(LCD-80-53, 5-14-80)

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258)

The Government's use of multiplex communications technology and the potential for increased exploitation of the technology to reduce long-distance communications costs are described. Long-distance and local communications services are used by the Government to process administrative data between user locations, to make computer inquiries, and to make high-speed bulk transfers of data between user locations. Significant savings and improved service can be achieved through centralized use of multiplex systems to satisfy Government communications requirements. Multiplexing, a technique whereby electronic devices at each end of a single circuit simultaneously transmit a number of messages, eliminates the need for numerous individual long-distance circuits between terminal points. The Department of Defense (DOD) and several civil agencies have developed multiplex systems, but not on a centralized Government-wide basis. If two Federal agencies could agree to share their multiplex systems under either joint or single management, the opportunities for economic benefits should increase. If all Federal agencies could agree, the opportunities for economic benefits should be maximized.

Findings/Conclusions: Annual cost savings information on the 643 DOD operational multiplex systems is no longer maintained. An annual savings of over $1.2 million has been achieved by three of the 240 existing civil multiplex systems agencies. Potential cost savings from centralized Government-wide development of miltiplex systems cannot be estimated. However, GAO believes that about 7,650 of the 8,500 individual circuits operating directly between 39 geographic locations are candidates for multiplexing. The potential cost savings was demonstrated by creating theoretical multiplex systems in place of existing individual circuits between Washington, D.C., and five metropolitan areas. An analysis showed that 105 high speed circuits had potential for multiplexing which could reduce annual costs 42.2 percent. For the 293 low- and medium-speed circuits with the potential for multiplexing, a net savings of 68.8 percent could be achieved. Multiplex devices are manufactured in fixed capacities, so users often acquire more capacity than they need. The cost effectiveness of existing multiplex systems could be improved if the unused capacity of one user's system is made available to other users. As a result of a GAO 1973 report on multiplexing, DOD and the General Services Administration (GSA) executed an agreement for joint use and sharing of a multiplex system. GSA has not yet forwarded a civil agency requirement to DOD. Of the 78 spare DOD channels linking Washington, D.C., and four geographic areas, 46 could be used to satisfy civil agency requirements at a net savings of 53.7 percent.

Recommendations: The Director, Office of Management and Budget, in coordination with the National Telecommunications and Information Administration, GSA, DOD, and other Federal agencies, should develop a policy, organizational structure, and implementing regulations to ensure that the Government is achieving the maximum benefits from multiplexing. The policy should require the use of multiplexing where economically and operationally feasible on a Government-wide basis. A single entity should be assigned responsibility for developing and managing multiplex systems for the entire Government. This entity must have the authority, necessary information, and adequate resources to fulfill the Government-wide management function envisioned. The implementing regulations should be designed to require compliance with the policy and to provide procedures that will ensure maximum benefits to the Government from multiplex technology.

Agency Comments/Action

Comments had not been received as of the date that this report was prepared.

Appropriations

All Federal agencies

Appropriations Committee Issues

The full realization of the Government's economic benefits through more effective use of multiplexing communications is lagging because of the lack of policies and regulations to ensure these benefits.

OFFICE OF MANAGEMENT AND BUDGET

Should Small Purchases Be Exempt From Complying With Social and Economic Program Requirements?

(PSAD-80-77, 9-26-80)

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: Buy American Act. Davis-Bacon Act (Wage Rates). Miller Act (Public Building Contracts). Service Contract Act of 1965. Rehabilitation Act of 1973 (P.L. 93-112). Executive Order 11246. P.L. 93-356. P.L. 95-507. P.L. 95-585. S. Rept. 93-318.

A GAO study involved an evaluation of an Office of Federal Procurement Policy (OFPP) recommendation which advocated raising to $10,000 the minimum level at which social and economic programs are applied to the procurement process. Inflation has depreciated dollar threshold levels to insignificance. As a result, fewer and fewer purchases are exempt from social and economic provisions, and the relative costs and paperwork requirements of small contracts are pushed higher with the increasing number of provisions to administer. As a result, the full benefit and cost savings potential of small purchase procedures have not been realized.

Findings/Conclusions: The agency procurement officials interviewed felt that the small dollar value Government contracts should be exempt from social and economic requirements, that the small purchase threshold should be selected as the minimum threshold for application of these requirements, and would favor a raise in the small purchase threshold and an escalator clause to keep the thresholds current. They would endorse any effort to make simplified small purchase procedures truly simplified. GAO agreed. Higher and more uniform threshold levels would help streamline administration, and the attention now devoted to lower dollar value contracts could be used to provide better enforcement on contracts above the small purchase threshold. A raise in the Davis-Bacon threshold to $10,000 would still mean protection for the same group of workers to whom Congress originally afforded protection; that is, workers on other than small, relatively insignificant contracts. Programs such as Davis-Bacon impose administrative requirements that are particularly onerous and disproportionately great for contracts under $10,000. GAO does not feel that the very large number of small contracts should be encumbered by procedures and provisions designed to afford protection for workers on large dollar value contracts.

Recommendations: The Office of Federal Procurement Policy should submit legislation to Congress to establish the small purchase threshold, currently $10,000, as the minimum threshold for all, not just selected, social and economic programs applied to the procurement process. The legislation should be submitted independent of the proposal for the Uniform Procurement System. The legislation should include provisions to raise the small purchase threshold to a level consistent with the inflationary trend that has occurred since it was established at $10,000 in 1974. An escalator clause should be included to permit administrative adjustments to prevent the time lag that now occurs between reductions in the value of money and legislative adjustments in thresholds affecting contracts. The legislation should include a procedure for monitoring future legislation to assure that no conflicts exist with the small purchase threshold.

Agency Comments/Action

OFPP has not yet responded to the report.

Appropriations

Implementation of Commission on Government Procurement recommendations - Office of Management and Budget, Office of Federal Procurement Policy

Appropriations Committee Issues

Without implementation of COGP recommendation 44, the full benefit and cost savings potential of small purchase procedures have not been realized.

OFFICE OF MANAGEMENT AND BUDGET

Study of the Effects of Changes in the Contract Appeals Board System Under the Contract Disputes Act of 1978

(PSAD-80-55, 7-7-80)

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: Contract Disputes Act of 1978 (P.L. 95-563).

In 1972, the Commission on Government Procurement reviewed the Federal appeals board process. It noted that this process would need substantive changes to effectively resolve contract disputes between contractors and the Government. A number of measures were introduced to Congress to respond to the Commission recommendations. The Contract Disputes Act was passed in November 1978. Its provisions were designed to help streamline the Boards of Contract Appeals system, standardize the selection process of judges, and remove appeals boards from the direct control of agency administrators. The Act made some key changes in the appeals board structure and operations in that it set a compensation rate for the board chairmen, vice-chairmen and members, and it established that both large and small apeals can be expedited under simplified rules of procedure at the contractor's option. It also established that boards may administer oaths, authorize depositions and discovery proceedings, and subpoena witnesses and evidence. The Office of Federal Procurement Policy's responsibilities under the act include consulting with agency heads to determine whether they need boards of contract appeals, allocating board positions to agencies, and issuing guidelines relative to the establishment, functions, and procedures of agency boards. The Office of Personnel Management was initially uncertain as to its authority to develop board personnel procedures, but Congress informally clarified these responsibilities to entail establishing and administering both selection and removal procedures for board members, administering a register of prospective board appointees, and developing procedures guaranteeing that board members are appointed solely on merit. Actions by the Office of Federal Procurement Policy and the Office of Personnel Management to implement the act have been slow and controversial, and instructions which may be helpful in setting up and operating boards have not been issued. A major cause of problems has been uncertainty over congressional intent as to the extent of consolidation of agency boards, whether agencies could supplement board allocations made by the Office of Federal Procurement Policy, how closely board members are to follow hearing examiner personnel procedures, and how performance evaluations are to be made.

Findings/Conclusions: While insufficient time has passed to assess fully how the Contract Disputes Act of 1978 will affect the appeals board system, both the Office of Federal Procurement Policy and the Office of Personnel Management have acted slowly due to uncertainty and controversy over the Act's provisions and the intent of Congress. Until these uncertainties are resolved, and clear policies and procedures are established, it is not certain how far the act will go in streamlining the appeals board system.

Appropriations

Procurement (other than defense) - Office of Federal Procurement Policy

Procurement (other than defense) - Office of Personnel Management

Appropriations Committee Issues

The Committees should consider clarifying provisions of the Contract Disputes Act of 1978.

OFFICE OF PERSONNEL MANAGEMENT

Changes to the Federal Employees Group Life Insurance Program Are Needed

(FPCD-77-19, 5-6-77)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: 5 U.S.C. 87.

A comparative analysis was made of life insurance and other death benefit programs available to Federal employees and retirees with similar programs in the non-Federal sector.

Finding/Conclusions: Death benefits for Federal employees are available from several sources, including the Federal Employees' Group Life Insurance Program, various retirement programs, and workers' compensation. As a package these are generally comparable with benefits provided by larger non-Federal employers; however, benefits are less for younger employees and retirees over age 65. Federal employees also pay more for their benefits than do their non-Federal counterparts.

Recommendations: Changes should be made to the method of funding and the benefit structure of the Federal life insurance program to make coverage attractive and equitable. The Congress should reevaluate the funding requirements and should consider making basic changes to the structure of the program. Possible changes which should be considered include: prefund only those liabilities arising from benefits payable to retired employees; revise present legislation to provide that the Government pay the interest on the program's unfunded liability if the present funding method is retained; use Government contribution as payment in full for a portion of the coverage for all employees; continue premium payments to age 65 rather than terminating at retirement; and provide greater amounts of optional insurance coverage to employees.

Agency Comments/Action

The Office of Personnel Management (OPM) expressed concern about the low level of participation in the program by younger employees and generally agreed that changes to make the program more attractive should be considered. OPM agreed that other funding approaches could be used. Effective September 1, 1978, the Civil Service Commission, implementing one of the recommendations, reduced the FEGLI premium by almost 30 percent. Legislation which would incorporate many of the recommended changes to the FEGLI benefit structure has been introduced, but not acted upon, in both the 95th and 96th Congress.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The premium reduction was a good first step in revamping the Federal Employees' Group Life Insurance Program, but other changes in the program's funding requirements and policy, which would require congressional action, could further reduce the premiums. Elimination of unnecessary premium taxes and risk charges under the program could result in an annual savings of more than $10 million.

OFFICE OF PERSONNEL MANAGEMENT

Civil Service Commission Should Correct Weaknesses in Its Automatic Data Processing Policies and Practices

(FPCD-78-94, 11-20-78)

Budget Function: General Government: Central Personnel Management. (0805)

The Civil Service Commission (CSC) is becoming increasingly reliant on automatic data processing (ADP) support to carry out its missions.

Findings/Conclusions: Weaknesses in the CSC ADP management were noted in policy matters, program documentation, security planning, and contingency planning.

Recommendations: The CSC or its successor, the Office of Personnel Management, should establish a comprehensive, uniform ADP policy; expand the current program documentation standard to include all ADP production programs; and strengthen ADP security planning.

Agency Comments/Action

The Office of Personnel Management has developed a specific agenda for bringing OPM into compliance with the GAO recommendations.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

ADP costs might be reduced and performance improved through more effective program controls.

OFFICE OF PERSONNEL MANAGEMENT

Disability Provisions of Federal and District of Columbia Employee Retirement Systems Need Reform

(FPCD-78-48, 7-10-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: 4 U.S.C. 501-529. Title 31, sections 701 to 746, D.C. Code.

Previous reports have discussed shortcomings in the disability provisions of Federal and District of Columbia retirement programs. Action on recommendations made in prior reports is still needed.

Findings/Conclusions: The number of retirees receiving civil service disability annuities more than doubled from 1970 to 1977. The Office of Personnel Management's (OPM) interpretation of entitlement to disability retirement is based on an employee's ability to perform specific functions, and employees are not obligated to accept reassignment. Within the civil service retirement system, earlier and more generous retirement benefits are authorized for Federal law enforcement and firefighter personnel. The costs of providing early retirement benefits under the special retirement policy are over 50 percent greater than they would be for regular optional retirement. Seven retirement systems cover most Federal personnel and there is wide variation in the disability provisions of these systems. The District of Columbia police and fireman's retirement system permits members to retire on disability for service-connected disability or after 5 years for other disabilities. Optional retirement benefits under this system are among the best in the country, but most of the personnel have retired under the system's aggravation clause.

Recommendations: The Congress should: enact legislation that will encourage retention of potentially productive employees under the civil service system; revise this system's definition of economic recovery to preclude disability retirees from retaining annuities if they are earning more than the current pay for their former jobs; study and legislate a resolution to the issue of using Federal tax returns to verify reported income; reevaluate the need to continue the special retirement policy, and if it is needed, reevaluate eligibility criteria, mandatory retirement provision, and the benefit structure; establish an overall Federal retirement policy; and enact legislation making new Federal personnel in positions now covered by D.C. systems subject to civil service systems, revising eligibility criteria and benefits for disability retirements under the D.C. police and firemen's retirement system, and precluding retirees from benefiting from cost-of-living increases that occurred while they were employed. OPM should encourage job reassignment, discontinue its policy of advising employees to use extended sick leave before filing for disability retirement, require more information on annuitants' current job duties, develop means to verify reported income, and analyze the adequacy of annuities for those severely disabled.

Agency Comments/Action

This report summarized previously issued reports, and formal agency comments were not obtained. OPM agrees that the disability program needs changes and has proposed several legislative reforms to the Congress. These reforms address some but not all the open recommendations on the Federal disability retirement program. Major concerns regarding the District of Columbia disability retirement program were addressed by the District of Columbia Retirement Reform Act of 1979.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

A reevaluation of the disability retirement policy is needed to protect the financial stability and integrity of the civil service. Affected agencies should be required to reassign potential disability retirees to vacant positions within the same occupational class when the individual is capable of performing that job.

OFFICE OF PERSONNEL MANAGEMENT

Errors in Health Benefits Enrollment Data Push Up Health Insurance Costs

(FGMSD-80-8, 12-6-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)

Discrepancies in enrollment data between Federal agencies' and health insurance carriers' records cause erroneous premium and benefits payments, cause inequities among carriers and employees, and unnecessarily increase health insurance costs for both the government and its employees. Accurate data are needed to determine the coverage provided individual employees, employees' payroll deductions, and the premium payment to carriers, and to insure prompt payment of claims. An audit was conducted that focused on the frequency and effect of discrepancies in enrollment data in two categories: (1) enrollees who were recorded on the records of either Federal agencies or carriers but not both, and (2) enrollees who were recorded on the records of both Federal agencies and carriers but for whom data differed in those two sets of data.

Findings/Conclusions: The discrepancies resulted mainly from the manual procedures prescribed by the Office of Personnel Management (OPM) for Federal agencies and carriers to exchange enrollment data. Such procedures invite error and are too costly to be effected fully. The discrepancy rate varied, but it appeared to be over 10 percent, with carrier records containing most of the errors. GAO estimated in 1978 that these errors cost $2 million to $5 million annually. OPM could significantly diminish, if not eliminate, the errors in enrollment data by prescribing procedures for exchanging enrollment data in computer-readable form. This also would reduce agency and carrier costs for exchanging data.

Recommendations: The Director of the Office of Personnel Management should adopt as policy the use of automated procedures to report health benefit enrollment data to carriers and to reconcile agency and carrier enrollment records, and accordingly direct subordinates to: (1) develop and arrange with carriers the use of a common identifying number for each enrollee to facilitate identifying enrollment data transmitted between carriers and Federal agencies; (2) have agencies and carriers develop a standard format for exchanging enrollment information; (3) require carriers to provide payroll offices with verification enrollment data on claimants of the reporting period in computer-readable form; and (4) prepare instructions for agencies on automated reporting and reconciliation of enrollment data.

Agency Comments/Action

The Office of Personnel Management concurred with the GAO recommendations and has started action to implement them. Hearings were also held on the report by the House Subcommittee on Compensation and Employee Benefits, Committee on the Post Office and Civil Service.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The Committees should make sure the Office of Personnel Management completes action on the GAO recommendations as quickly as possible.

OFFICE OF PERSONNEL MANAGEMENT

Federal and District of Columbia Employees Need To Be in Separate Pay and Benefit Systems

(FPCD-77-71, 1-12-78)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: District of Columbia Self-Governmental Reorganization Act (P.L. 93-198); P.L. 93-407; P.L. 94-533; Title 4, District of Columbia Code (1973).

The pay and fringe benefits of Federal and District of Columbia employees are interrelated. Most District employees are covered by Federal pay and retirement systems, and some Federal law enforcement personnel participate in the District's pay and retirement systems for its police and firemen.

Findings/Conclusions: Each Government should control the nature, level, and costs of its employees' compensation. The Federal law enforcement personnel participating in the District's pay and retirement system receive higher pay and have much better retirement benefits than comparable Federal civil service employees. The District's retirement system is more costly than that of the Federal Government, but participating employees contribute less than their Federal counterparts. The Federal protective services employees' compensation should be equitable and consistent with that provided to other Federal law enforcement personnel. The District should establish its own employee compensation system so that compensation is consistent with local management objectives and affordable for District residents.

Recommendations: The Mayor and City Council should establish new pay and fringe benefit systems for District employees now subject to Federal civil service systems. Congress should: amend the District of Columbia Home Rule Act to provide that the District government establish its own pay and benefit policies and systems for District employees now covered by Federal systems; require the Civil Service Commission (now the Office of Personnel Management), Office of Management and Budget, and the District government to study and report on the desirability of transferring District employees covered by the Federal retirement system to a District administered and controlled retirement system or retaining them in the Federal system; make all new Federal law enforcement personnel subject to civil service pay and retirement systems; and require a study on the desirability and feasibility of transferring existing Federal employees now covered by the District's retirement system to the Federal civil service retirement system.

Agency Comments/Action

The then existing Civil Service Commission, Office of Management and Budget, and Departments of the Treasury and the Interior agreed that Federal personnel should be covered by Federal pay and retirement systems and are studying the matter. The District of Columbia Retirement Reform Act of 1979 addressed the major concerns about its District retirement system. That legislation applied only to District personnel and did not affect the 1500 Federal law enforcement personnel now covered by the District's retirement system.

Appropriations

Salaries and expenses - Office of Personnel Management
Federal payment to District of Columbia - District of Columbia Government
Salaries and expenses - Office of Management and Budget

Appropriations Committee Issues

The 1500 Federal personnel covered by the District's programs receive higher pay for the same levels of work and have much better retirement benefits than their Federal civil service counterparts. The higher levels of compensation inflate already high Federal personnel costs and create serious inequities within the Federal work force. Also, Federal and District employees who retire under the District's system and are subsequently employed in a Federal or District position covered by civil service are permitted to receive both their full retirement annuity and the position's full salary. Such dual payments are inequitable and costly.

OFFICE OF PERSONNEL MANAGEMENT

Federal Executive Pay Compression Worsens

(FPCD-80-72, 7-31-80)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. P.L. 90-206. P.L. 94-82.

Despite a 5.5 percent salary increase in October 1979, the adverse effects of limiting or denying these increases to Federal executives have worsened. The Senior Executive Service (SES) was created to provide monetary rewards to many top executives on the basis of performance.

Findings/Conclusions: Changes in pay-setting for Federal executives are critically needed if: (1) the problem executives face due to diminishing real salaries is to be alleviated; (2) pay distinctions are to accurately reflect differences between levels of responsibility and performance; and (3) agencies are to avoid serious recruitment and retention problems. SES success also depends on the granting of annual adjustments to the Executive Schedule and granting performance awards within already established guidelines. Restricting these essential incentives could exacerbate current problems, foster Government inefficiency, and increase Government expenditures to a level that would far exceed the cost of regular pay raises and performance bonuses. The congressional salaries' link to the Executive Schedule has adversely affected top executives at times when the Congress has, for a variety of reasons, held its own pay down. This has also helped to hold down the Level 5 ceiling on GS pay, compromising legislative mandates for pay comparability and pay distinctions to match work and performance distinctions. The congressional salaries' link to Executive Level 2 salaries has no legal foundation.

Recommendations: Congress should improve the pay-setting process for Federal executives by: (1) allowing the annual adjustments for executives under Public Law 94-82 to take effect; (2) discontinuing the practice of linking congressional and Executive level 2 salaries; and (3) allowing SES performance and rank awards to take effect.

Agency Comments/Action

The Office of Personnel management agreed with the report.

Appropriations

Salaries and expenses - Various agencies

Appropriations Committee Issues

Congressional support is needed to allow annual salary adjustments for Federal Executives to take effect.

OFFICE OF PERSONNEL MANAGEMENT

Federal Retirement Systems: Unrecognized Costs, Inadequate Funding, Inconsistent Benefits
(FPCD-77-48, 8-3-77)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: Employee Retirement Income Security Act of 1974. P.L. 95-595. 5 U.S.C. 83. 10 U.S.C.61-73. 14 U.S.C. 11. 14 U.S.C. 13. 33 U.S.C. 17. 42 U.S.C. 212. 22 U.S.C. 1061-1121. 26 U.S.C. 7447-7448. 28 U.S.C. 17.

The cost and liabilities of Federal retirement programs are much greater than recognized by current costing and funding procedures.

Findings/Conclusions: In 1976, seven of the Government's retirement systems paid over $15.6 billion to retirees and the survivors of deceased employees and retirees, an increase of $10 billion since 1970. The systems also reported liabilities exceeding $320 billion for which less than $44 billion had been set aside in Federal trust funds. Federal retirement systems' funding requirements vary, and in most cases are less stringent than those imposed by law on private pension plans. Usually, little or no consideration is given to the effect of future general pay increases and annuity adjustments on ultimate benefit payments, resulting in a considerable understatement of benefit costs accruing each year.

Recommendations: The Congress should enact legislation requiring that the full cost of Federal retirement systems be recognized and funded and that the difference between currently accruing cost and employee contributions be charged to agency operations. In addition, Congress should establish an overall Federal retirement policy to guide retirement system development. Centralization of committee jurisdiction over all Federal employee retirement systems would facilitate the establishment and implementation of such a policy.

Agency Comments/Action

Some of the agencies commenting on the draft report agreed with GAO that the full cost of retirement benefits should be recognized. Others had no comment on the recommendation. Some self-supporting agencies agreed that the costs of their operations were being understated. Others, however, believed the Congress should appropriate funds to pay the higher costs rather than increase charges to the users of the agencies' service. During the 95th Congress, three pieces of legislation were introduced relative to the report's recommendations. They were H.R. 9701, Senate Resolution 244, and H.R. 12392. Public Law 95-595 (H.R. 9701), approved November 4, 1978, subjected all Federal pension plans to the annual financial and actuarial reporting requirements of the Employee Retirement Income Security Act of 1974. Under the law, GAO is responsible for developing the reporting standards for certain pension plans and, when appropriate, for auditing required reports. Senate Resolution 244, adopted in June 1978, calls for Treasury to study the major Federal retirement systems, using dynamic assumptions, to determine the extent of the present and future unfunded liability of each system, the method of financing each system, and the actions necessary to be taken to insure the solvency of each system. H.R. 12392 proposed the establishment of a Department of Defense Military Retirement and Disability Fund and called for fully funding the military retirement system on a dynamic normal cost basis. However, time did not permit consideration of the legislation. The Office of Personnel Management plans to submit legislation in 1980 which, if adopted, would result in full recognition and funding of the annual cost of benefits accruing under its civil service retirement system.

Appropriations

Personnel salaries and expenses - Government wide
Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

The legislation enacted in the 95th Congress was the first step toward full cost recognition and funding of retirement benefits. Similar legislation needs to be introduced and enacted for all Federal retirement systems. Further, retirement costs need to be allocated to the participating agencies to eliminate the unrecognized subsidies that are accruing to agencies whose operations are intended to be self-supporting.

OFFICE OF PERSONNEL MANAGEMENT

Lack of Action on Proposals To Resolve Longstanding Problems in Investigations of Federal Employees

(FPCD-79-92, 9-25-79)

Budget Function: Central Personnel Management (0805)

Following a December 1977 report on proposals to resolve problems in investigations of Federal employees, recommendations were made to Congress and the Office of Personnel Management (OPM) which showed that the authority for investigations is out of date and has been eroded by more recent laws and court decisions. OPM does not have adequate classification criteria for agencies to determine the proper investigation. The national agency check with inquiry investigation is inadequate for employees with sensitive duties and too extensive for most employees. OPM has inadequate controls for disseminating information to protect individual rights. Concern has been expressed about the lack of action taken to resolve the problems identified.
Findings/Conclusions: Even though GAO, Congress, and OPM agree that the current investigation program has serious problems, few improvements have been made. OPM does not plan to make significant changes to the existing program unless it is directed to do so and is provided the needed resources. This follow-up reemphasized the failure of the current program to adequately protect either the Government or individual rights.
Recommendations: OPM should provide clear criteria for determining the extent of investigations, make sure investigative coverage is proper, establish controls to protect individuals' privacy, and obtain approval to retain the security resource file on organizations. Congress should consolidate into one law the authority to investigate and judge the suitability of Federal employees, including the potential of employees in sensitive positions to impair national security.

Agency Comments/Action

An Inter-Agency Study Group has been established to study and review the issues and to make recommendations as to their solution.

Appropriations

Salaries and expenses - Office of Personnel Management
Operation and maintenance - Department of the Treasury

Appropriations Committee issues

Costs of personnel investigations could be reduced with improved management of the investigation process.

OFFICE OF PERSONNEL MANAGEMENT

Most Federal Employees on the Job 40 Hours or More Weekly: Tighter Controls Among Proposals for Those Who Work Less

(FPCD-79-24, 5-21-79)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. Fair Labor Standards Act of 1938. Federal Employees' Pay Act of 1945 (5 U.S.C. 6101). 5 C.F.R. 630.206. H.R. 1784 (96th Cong.). B-179810 (1976). B-190011 (1977).

In order to determine the extent of compliance with Federal workday requirements, a study plan was devised using two approaches: a questionnaire was sent to a random sample of 3,500 civilian employees from seven of the largest Federal agencies; and interviews with 238 personnel officers, managers, and union representatives were conducted at 29 locations. Response rates for the questionnaire were above 80 percent. GAO studied only the time spent at the workplace, and not the productive use of that time.

Findings/Conclusions: Of the questionnaire respondents, 75 to 83 percent worked at least 40 hours per week, 18 to 27 percent worked 41 to 70 hours, and 17 to 26 percent worked 33.5 to 39.9 hours. Extended lunchbreaks appeared to be the most frequent abuse, particularly in urban locations where eating facilities were often congested. Supervisors generally did not place high priority on monitoring work hours for the following reasons: they trusted employees to follow policy, they believed most employees worked 40 hours a week and made up any lost time, and they believed deadlines were met. Two major issues that appeared to be emerging were the length of the workweek and its effect on employment and productivity, and the focus of Government control.

Recommendations: The Director of the Office of Personnel Management should: obtain government-wide information on all agencies' official and unofficial policies and practices on scheduled work hours, lunch, and breaks; compare and evaluate those policies and practices; identify the need for additional guidance; and issue necessary guidance and require necessary changes. The Director should design an experiment, one of the research and demonstration projects authorized in the Civil Service Reform Act, to test the use of performance measures rather than hours at the workplace as the basis on which personnel are paid. This experiment should also test the effects of tight versus lenient controls. In considering any legislation to reduce the workweek, Congress should relate Federal work-hour decreases to changes in overall productivity or other measures of performance or fringe benefit tradeoffs. To do this, better data from work measurement, productivity, and cost systems would be needed. In addition, a total compensation comparability policy would need to be established by Congress. Results of this research and demonstration project should be used to evaluate the need for changes in legislation.

Agency Comments/Action

OPM stated that they generally agree with all of the report recommendations and that they would attempt to implement them when possible.

Appropriations

Personnel functions - Office of Personnel Management

Appropriations Committee Issues

OPM needs to monitor work hour policies and provide guidance and direction to agencies to ensure that both employees and the Federal government are treated equitably.

OFFICE OF PERSONNEL MANAGEMENT

Office of Personnel Management's Comprehensive Medical Plans Network Experiment

(HRD-80-89, 5-30-80)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Federal Employees' Health Benefits Act of 1959.

The Office of Personnel Management's (OPM) administration of the Blue Cross and Blue Shield Comprehensive Medical Plans Network experiment in the Federal Employees Health Benefits (FEHB) program was reviewed. The Network operated by the Blue Cross and Blue Shield Associations (Associations), was intended to provide new options for health benefits coverage to Federal employees and to relieve OPM of administrative costs associated with contracting with a number of comprehensive plans.

Findings Conclusions: There is no specific reference in the FEHB Act to a network of comprehensive plans; OPM has not sought specific legislative guidance for conducting the Network experiment, but has amended its Health Benefits Plans regulations to provide for admission of comprehensive plan networks into the FEHB program. OPM failed to enforce certain basic statutory and other requirements of the FEHB program to permit new developing comprehensive plans to participate in the Network experiment. A 1978 OPM preliminary review of the 18 Network comprehensive plans indicated that 10 of the 18 did not meet one or more of the requirements of the FEHB Act, FEHB program regulations, or OPM admissions criteria. OPM did not adequately monitor the Associations' administration of the Network to ensure that individual plans conformed with FEHB program requirements, and the Associations did not advise OPM that two Network plans in one State did not have State certificates of authority required by the State to legally operate and thus were not eligible under Federal regulations to participate in the Network. The uniform premium rate has resulted in marketing problems for low-cost Network plans, subsidization of high-cost Netwok plans, and an expressed desire by some plans to disengage from the Network and apply individually for the FEHB program. Because the uniform premium rate is inconsistent with the community-rating concept, Network enrollees in low-cost areas pay higher premiums than they would if the plans had been offered individually through the FEHB program.

Recommendations: Pending congressional action, OPM should (1) improve monitoring to insure that FEHB program requirements are applied to all comprehensive plans in networks; (2) develop an alternative to the present uniform rate system that is more closely tied to prevailing local costs in an individual plan's service area; (3) terminate from the Network plans that do not individually qualify for admission to the FEHB program; and (4) arrange for the orderly transfer of enrollees in terminated plans to other FEHB program plans. Congress should decide whether continuation of a comprehensive medical plans network is appropriate. If it is determined that continuation is appropriate, it is recommended that specific legislation be enacted detailing financial, admission, and administrative requirements to be applied to this unique health care delivery system.

Agency Comments/Action

OPM said it will phase out the Network over a 1-year period, to terminate at the end of 1981. It said it will publish a notice of proposed rulemaking in the Federal Register to announce its intent to change network regulations and to request comments from interested parties. Additionally, OPM said it would review the status of all plans in the network and terminate individual plans that do not meet program requirements. OPM said it would address the issue of the uniform rate system in the proposed rulemaking noted above.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The Committees should consider specific legislation dealing with financial, administrative, and admission requirements for comprehensive health plan networks.

OFFICE OF PERSONNEL MANAGEMENT

OPM Should Promote Medical Necessity Programs for Federal Employees' Health Insurance

(HRD-80-79, 7-29-80)

Budget Function: Health (0550)
Legislative Authority: Social Security Amendments of 1965 (42 U.S.C. 1395). Federal Employees' Health Benefits Act of 1959 (5 U.S.C. 8901).

Medical necessity programs were developed to help contain health care costs and promote good health care. They can reduce the incidence of, and payment for, health care procedures not found to be medically necessary or consistent with generally acceptable medical practice. Federal Employees' Health Benefits Program plans have varied greatly in their use of medical necessity programs, but data from plans using the programs show that benefits have been achieved and should increase. Savings are also being achieved because of education and publicity. The OPM program manager for employee organization plans has asked the plans to review claims to determine that they represented medically necessary services. Representatives have agreed to include a list of unnecessary surgical procedures in their claim processing systems.

Findings/Conclusions: Improved care and cost reduction benefits of medical necessity programs can be realized more fully if OPM keeps abreast of program developments and makes sure they are adopted promptly. Medical necessity programs are relatively new; benefits realized so far have been limited. However, these programs enjoy widespread physician acceptance, and benefits appear likely to increase as the programs are expanded and more widely used.

Recommendations: The Director, OPM, should systematically monitor developments in these programs, in both the private and public sectors; evaluate these programs to determine how Federal Employees' Health Benefits Program plans might use them to foster better health care and lower health insurance costs; and require the Federal Employees' Health Benefits Program plans to use aspects of these programs that are proven beneficial.

Agency Comments/Action

OPM, in commenting on the draft report, indicated general agreement with the concept of medical necessity as related to its Federal Employees Health Benefits Program; it did not, however, evidence a commitment to increase its efforts in promoting compliance with the contracts' medical necessity provisions.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

A strong commitment to promoting beneficial aspects of medical necessity programs can help reduce the incidence of, and payment for, health care procedures and services not medically necessary or not consistent with generally acceptable medical practice.

OFFICE OF PERSONNEL MANAGEMENT

Pay for Holidays Under Compressed Work Schedules
(FPCD-80-21, 12-4-79)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Federal Employees' Flexible and Compressed Work Schedules Act of 1978 (P.L. 95-390). F.P.M. Letter 620-2. H. Rept. 95-912. S. Rept. 95-1143. 5 U.S.C. 6103. 5 U.S.C. 6104.

The Office of Personnel Management's (OPM) administration of pay for holidays under the compressed and flexible work schedules experiment was examined. A compressed work schedule is one in which the basic 80-hour biweekly work requirement is completed in less than 10 workdays. OPM implementing regulations provide that employees on a compressed work schedule receive pay for a holiday equal to pay for the number of hours they would ordinarily be required to work on that day. Thus, an employee on a 4-day workweek would receive 10 hours' holiday pay, and holidays occurring on an employee's nonworkday would be observed on the workday preceeding or succeeding that day. Those Federal employees participating in the compressed work schedule experiments receive extra time off from work for each of the legal public holidays and their workweek would be reduced in the biweekly periods in which holidays occur. Employees on regular schedules and flexible schedules would not have reduced workweeks and would receive only 8 hours pay for holidays.

Findings/Conclusions: Title I of the Act specifies that employees under a flexible work schedule are entitled to only 8 hours' pay for a holiday. However, Title II of the Act is silent about pay for holidays not worked under compressed schedules. OPM implementing regulations are consistent with a statute providing an ordinary day's pay for a holiday. They are also consistent with the Act in that they provide a compressed schedule employee who works on a holiday with holiday premium pay for the hours worked that do not exceed the daily basic work requirement; hours worked on a holiday in excess of the daily basic work requirement would be paid as overtime. GAO endorsed the experiments with flexible and compressed work schedules, but the added expense of the extra time off for holidays is of concern. This is inequitable to other employees. GAO believes employees on a compressed work schedule should receive no more or no less paid absences from their work than those employees on flexible or traditional work schedules.

Recommendations: Congress should reconsider Title II of the Act with a view toward eliminating the extra fringe benefit by limiting the pay for holidays to 8 hours.

Agency Comments/Action

Although OPM believed its implementing regulations are consistent with the law, the Office of Management and Budget (OMB) advised GAO that in proposing the experiment with flexible and compressed work schedules, the Administration assumed that the added employee flexibility would not be any more costly than standard workdays and workweeks. OMB agreed that the pay for holidays under compressed work schedules conflicts with that premise. OMB advised us that it planned to pursue this matter with OPM.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The extra paid time off employees on a compressed work schedule receive is costly. GAO estimates that the Federal Government annually loses over 1 million work hours valued at almost $9 million in salary costs. The extra paid time off results in either reduced services and productivity or additional personnel costs in overtime or additional employment required to compensate for the lost hours.

OFFICE OF PERSONNEL MANAGEMENT

Personnel Restrictions and Cutbacks in Executive Agencies: Need for Caution

(FPCD-77-85, 2-9-78)

Budget Function: General Government: Central Personnel Management (0805)

For the Federal Government to be effective, its programs and activities must be effectively implemented. Sound implementation can be weakened by too many employees, resulting in costly nonproductivity, or by too few, resulting in an unmanageable workload. Over the past several years, GAO has issued many reports illustrating the problems caused by insufficient staff. These problems, affecting a wide range of Government programs, include work backlogs, ineffective implementation of legislative mandates, excessive use of overtime and consultants, and, in several cases, criminal abuses.

Findings/Conclusions: Staff shortages are sometimes the result of agency mismanagement. However, some programs are inadequately staffed for reasons over which the agency has little or no control. Insufficient funding can prevent an agency from hiring the employees it needs, and personnel ceilings can have similar restrictive effects. Mechanisms for controlling personnel resources are needed; however, other elements such as travel, equipment, working space, and supplies must also be carefully analyzed for their effect on program management.

Recommendations: Congress should carefully assess the impact of personnel ceilings and cutbacks if it is to avoid reducing staff at the expense of effectively administered programs.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

Action taken to hold down or reduce the size of the Federal work force can have adverse effects on the achievement of Federal program goals.

OFFICE OF PERSONNEL MANAGEMENT

Policy of Paying Cost-of-Living Allowances to Federal Employees in Nonforeign Areas Should Be Changed

(FPCD-75-161, 2-12-76)

Budget Function: Central Personnel Management (0805)
Legislative Authority: 5 U.S.C. 5941 (a)(1)(1970).

GAO reported to the Congress that the cost-of-living allowance paid to certain employees in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands, is no longer an appropriate means of compensation. The allowance was authorized by a 1948 law to reimburse Federal white-collar employees in nonforeign areas outside the continental United States when their living costs were substantially higher than those in the Washington, D.C. area. The report questioned the need for continuation of the allowance based on the following reasons. Nonforeign areas have undergone major social, economic, and political change since the law was enacted authorizing the allowance. A Federal pay-setting policy of comparability with the private sector has been enacted and placed in operation. The cost-of-living allowance is inconsistent with this principle. The allowance is discriminatory because it is not given in other areas of the United States where the cost of living is high. Conversely, pay is not adjusted downward in cost-of-living areas. GAO recommended that the allowance be eliminated. A more equitable means of compensation, such as special pay rates based on private sector pay rates, could be used, if warranted, to overcome any recruitment and retention problems caused by higher private sector pay in these areas. The report also pointed out that, as administered by the Civil Service Commission, the allowance overcompensates nonforeign area employees for interarea cost-of-living differences. Until such time as the provision of law authorizing the allowance may be repealed, the Commission should make the following changes to better achieve the legislative intent of compensating for interarea cost-of-living differences: (1) apply the cost-of-living differential percentage to employees' spendable income rather than base pay as this would eliminate the financial gain for such items as Federal income taxes and retirement contributions, which are not included in the interarea comparisons but which cost the same regardless of place of employment; (2) in computing the allowance, consider marital status, family size, income level, and State and local income taxes, which affect employees' living costs; and (2) establish regional rather than flat area-wide allowance rates to recognize any intra-area cost-of-living differences which may exist. The Commission (now the Office of Personnel Management) expanded its living cost surveys to include additional locations in Hawaii, Puerto Rico, and Alaska and, in November 1976, established separate allowance rates reflecting interarea living cost differences.

Agency Comments/Action

By mandate of Executive Order 12070, June 30, 1978, OPM re-evaluated the entire cost-of-living allowance program for nonforeign areas. In its May 1979 report to the President, OPM recommended that the program be eliminated.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

OPM should improve its administration of the cost-of-living allowance in nonforeign areas to better achieve the legislative intent of the program.

OFFICE OF PERSONNEL MANAGEMENT

Some Civil Service Retirees Subject to "Catch 62" Are Not Being Identified

(FPCD-80-47, 4-22-80)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: 5 U.S.C. 8332(j).

In reviewing the "Catch 62" provision of the civil service retirement system whereby military service performed after 1956 cannot be credited for both civil service and social security retirement benefits, GAO identified some administrative problems which could be readily corrected. Under current law, if a civil service retiree becomes eligible for social security benefits at age 62, the Office of Personnel Management (OPM) is to recompute the civil service annuity and exclude any military service after December 31, 1956, from the annuity computation.

Findings/Conclusions: This is not always being done, and the problem may be greatly exacerbated as more individuals with post-1956 military service become eligible for civil service and social security benefits. A spot check of 1979 retiree folders at OPM revealed that records were not being prepared according to OPM claims adjudication procedures which require that OPM ask the Social Security Administration (SSA) if a retiree is eligible for social security benefits. Thus, OPM could not follow up on retirees' social security eligibility. Uncorrected, this problem could result in substantial overpayments. OPM procedures do not identify retirees who become eligible for social security after age 62. Without followup procedures for those who become eligible for social security after age 62, civil service annuities will not be properly reduced. Additional problems could develop because the transactions between OPM and SSA are handled manually. Both agencies need to establish an automated system to identify retirees eligible for social security at age 62 and those who become eligible after age 62. The OPM quality assurance staff recommended that the annuitant's master record file on the existing automated data processing system be revised to include the years of post-1956 military service.

Recommendations: The Director of OPM should implement changes outlined by its quality assurance staff to avoid future overpayments. OPM should explore the possibility of determining whether there are any current retirees who should have their annuities reduced but who may not have been previously identified by the manual procedures. It is further recommended that the Director of OPM explore the possibilities of developing an automated system for determining and following up on social security eligibility to properly implement the current law.

Agency Comments/Action

OPM responded that it is currently undergoing a major conversion of the annuity roll to a new computer system. OPM elected to defer consideration of this recommendation until the conversion is completed.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

Overpayments to annuitants with post 1956 military service who become eligible for Civil Service and Social Security benefits could be eliminated if OPM established appropriate automated controls.

OFFICE OF PERSONNEL MANAGEMENT

Special Retirement Policy for Federal Law Enforcement and Firefighter Personnel Needs Reevaluation

(FPCD-76-97, 2-24-77)

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)
Legislative Authority: P.L. 80-168. P.L. 80-879. P.L. 84-854. P.L. 92-382. P.L. 93-350. 5 U.S.C. 8331-39.

The adequacy, effectiveness, and reasonableness of the Government's policy of providing earlier and more generous retirement benefits to Federal law enforcement and firefighter personnel were investigated.

Findings/Conclusions: The law currently authorizes these special retirement benefits for about 52,000 Federal employees. The purpose of the special retirement law is to improve the quality of law enforcement and firefighting services by helping to maintain a young, vigorous work force. The more generous benefits are provided to make earlier retirement economically feasible. The Special retirement policy is an expensive method of marginally reducing the age of retirement. Covered employees are not retiring much earlier than employees under regular civil service retirement provisions.

Recommendations: The Congress should reevaluate the need for special, early retirement. If it is considered necessary to compensate certain personnel for the hazard and stress commonly associated with these occupations, that compensation should be reflected in pay, not in retirement benefits. Employees who cannot perform satisfactorily before the optional retirement age should be reassigned to less demanding duties or, as a last resort, retired under existing disability programs. If the special retirement policy continues, the Congress should amend the law to require additional retirement contributions by employing agencies and reevaluate the eligibility criteria, the mandatory retirement provision, and the benefit structure.

Agency Comments/Action

The Office of Personnel Management (OPM) agreed that the policy needs to be reevaluated. Operating agencies and employee unions generally disagreed. The Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, held a series of oversight hearings between September 1977 and December 1977 on the report. GAO, OPM, law enforcement agencies and employee/retiree organizations participated in the hearings. Subcommittee staff advised us that legislation may be introduced with the 96th Congress, to amend certain aspects of the existing policy.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

The continued need for the special, early retirement benefits is questionable. The special, early benefits cost considerably more than regular civil service benefits (about 61 percent more according to the then existing Civil Service Commission). Covered employees and employing agencies each contribute 7.5 percent of base pay toward these benefits, but their normal cost (as a percentage of pay) is estimated to be about 21 percent ignoring inflation and about 45 percent considering inflation. As a minimum, employing agencies' contributions should be raised to cover these costs, thereby eliminating the hidden treasury subsidies.

OFFICE OF PERSONNEL MANAGEMENT

INCENTIVE AWARD BRANCH

Does the Federal Incentive Awards Program Improve Productivity?

(FGMSD-79-9, 3-15-79)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: Civil Service Reform Act of 1978. Government Employees' Incentive Awards Act of 1954. Federal Salary Reform Act of 1962 (P.L. 87-793; 5 U.S.C. 5336). F.P.M., ch. 451. F.P.M., ch. 273.

The Federal Government uses incentive awards and quality step increases (QSI) to encourage employees to improve their work performance and, consequently, Government operations, by recognizing work exceeding normal performance requirements.

Findings/Conclusions: A questionnaire sent to Federal employees revealed that many felt unmotivated by their agencies' incentive programs and believed that the workers most deserving of cash awards were often passed over. Other comments identified the failure of awards programs to increase productivity and the feeling that improvements in efficiency were not recognized with awards. An analysis of incentive awards programs revealed that some workers receiving awards were rated as below-average performers. These problems exist because agency programs overlook the following basic components: linkage to agency goals, systems for setting work expectations and measuring performance, motivation of managers to use awards programs, timely and relevant awards separated from the basic salary rate, and an annual evaluation of program results. Most employees questioned believed that an improved incentives system would improve their performance. In most agencies surveyed, GAO found an excessive use of the QSI as the most commonly granted form of cash recognition, rather than the generally preferable promotion. The Civil Service Reform Act of 1978 helps associate incentive awards and employee performance, although the Act provides only the framework for change; the responsibility for accomplishment lies with supervisors and managers.

Recommendations: The Director, Office of Personnel Management, should revise Chapter 451 of the Federal Personnel Manual to require the review and approval of agency incentive award plans, provide that agencies take necessary corrective actions if plans do not comply with Office guidelines, establish appropriate award scales for different grade levels, and offer alternatives to conventional cash and honorary awards. Congress should require the Director of the Office of Personnel Management to ensure the granting of QSI's in accordance with the Federal Personnel Manual and demonstrate that this has been accomplished. If this cannot be demonstrated, the Director should be required to terminate quality step increases altogether and merge funds set aside for this purpose with incentive awards program funds for employees not covered by the Senior Executive Service and Merit Pay provisions of the Civil Service Reform Act.

Agency Comments/Action

OPM stated that the report correctly identified areas that are essential to the effectiveness of agencies' programs. They also stated that the report contains several recommendations that should improve administration of the program. Since the report was issued, OPM has revised its Federal Personnel Manual regarding incentive awards. These revisions largely reflect the recommendations made in the report.

Appropriations

Federal Incentive Awards Program - Office of Personnel Management, Incentive Awards Branch

Appropriations Committee Issues

Revisions have been made to the Federal Personnel Manual to improve the effectiveness of the Federal Incentive Awards Program. It is now necessary for OPM to monitor these revisions and ensure that agency award plans are properly designed and administered. The Committees should also determine if QSI's are now being granted in accordance with the Federal Personnel Manual.

SECURITIES AND EXCHANGE COMMISSION

Information on Housing the SEC at Multiple Locations in the Washington, D.C. Area

(FGMSD-80-59, 5-20-80)

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376)
Legislative Authority: Federal Property and Administrative Services Act of 1949. Public Buildings Act of 1959 (40 U.S.C. 601). Economy Act (40 U.S.C. 278a). S. 2080 (96th Cong.).

Several questions were raised about the Securities and Exchange Commission's (SEC) current utilization of office space. The SEC has requested independent leasing authority to consolidate its four Washington, D.C., area locations. Legislation requires that leased office space be obtained through the General Services Administration (GSA).

Findings/Conclusions: Of the professional staff members assigned to the Commission's Washington offices, 37 percent share an office. The professionals sharing offices have an average grade level of GS-12. GSA publishes standards governing the assignment of office space which are based on employee grade level to insure that each employee has sufficient space to work efficiently. A full determination of the extent of travel between the Commission's Washington office buildings was difficult to obtain since records were not available. The primary means of travel between the office buildings is a shuttle service which runs every 30 minutes. The Commission did not have information indicating why such travel was necessary. However, a survey of passengers indicated that they were generally meeting with personnel from their organizations located in another building. The Commission has requested its own independent leasing authority because it believes that GSA has made limited progress toward obtaining a building which will permit the Commission to consolidate. Granting such authority may not be consistent with the primary goal of legislation to centralize the property management activities of the Government. Legislation is now pending that would revise the way GSA conducts its public buildings program. One of the goals of this legislation is to eliminate the projects in which the Government pledges to lease a building to be constructed by a private firm. The bill is designed to provide a more viable Federal construction program and thereby reduce the Government's reliance on leased space.

Appropriations

Securities and Exchange Commission

Appropriations Committee Issues

The Committees should determine whether the Commission needs new space to consolidate its Washington area offices and if it needs independent leasing authority to obtain this space.

SECURITIES AND EXCHANGE COMMISSION

Opportunities for Improving the Quality and Efficiency of the Securities and Exchange Commission's Process for Reviewing Reports

(FGMSD-80-81, 9-2-80)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101)
Legislative Authority: Securities Act of 1933. Securities Exchange Act of 1934.

A review was undertaken of the administrative procedures used by the Securities and Exchange Commission (SEC) in examining company reports to determine whether they comply with Federal legislation requiring them to send periodic financial disclosure reports to SEC.

Findings/Conclusions: While the number of statements and reports filed with SEC has increased dramatically over the last 10 years, the number of people reviewing the reports has been reduced. Consequently, SEC has decreased the number of thorough reviews and resorted to abbreviated reviews despite evidence calling for greater scrutiny of the reports. The annual 10K and 10Q reports, the key source for data used to assess a firm's financial condition, have been particularly subject to the shorter review. Additionally, SEC has devoted increased staff time and computer resources to identifying and following up on firms which either did not file required reports or failed to file them on time. The staff was given little written guidance for reviewing reports. The adequacy of the reviews and the resulting analyses could not be determined.

Recommendations: To improve the efficiency and effectiveness of SEC efforts to monitor whether companies filing reports under the securites acts are meeting disclosure requirements, the Chairman, SEC, should: prepare more detailed guidelines telling the reviewing staff what vulnerabilities they should look for and what analysis they should make in reviewing reports; establish a quality review process to (1) check the adequacy of staff reviews, (2) see that the staff follows SEC guidelines, and (3) identify the need for new data and analysis and possible obsolescence of present data and analysis; investigate the benefits of using computers to assist in making financial analyses; improve the accuracy of computer files and delinquent report listings and eliminate unnecessary information from these listings; establish better procedures for following up on delinquent reports to minimize duplication; and evaluate the effectiveness of the delinquent reports program and the remedial action that SEC is taking against delinquent companies.

Agency Comments/Action

The Securities and Exchange Commission generally agrees with the findings and has taken action to implement the necessary revisions to the process for reviewing company reports.

Appropriations

Disclosure program - Securities and Exchange Commission

Appropriations Committee Issues

An issue for consideration is whether the Securities and Exchange Commission has an adequate funding and staffing level to effectively review company disclosure reports.

SMALL BUSINESS ADMINISTRATION

Effectiveness of Federal Effort Providing Management Services and Technical Assistance to Small Business Concerns (Review of the Small Business Administration's Management Assistance Program)

(CED-78-64, 3-15-78)

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (0403)

The Small Business Administration's (SBA's) management assistance program was surveyed at the San Francisco District Office to evaluate the quality of the assistance rendered in helping persons to succeed as business owners.

Findings/Conclusions: The survey was terminated because sufficient financial data on management assistance clients were not on file although borrowers' financial statements are required under the loan agreements signed by the business owners. Because it has not obtained financial information from its management assistance clients, SBA lacks the means to evaluate its management assistance efforts and the needs of its clients for follow-on assistance. Until more financial information is obtained and analyzed in a systematic manner, the management assistance program cannot achieve its full potential. SBA should pursue the collection and analysis of the business data necessary to identify management needs of clients and to measure the effectiveness of assistance provided.

Agency Comments/Action

SBA agreed that there is a need for more and better financial data on agency clients as well as for improved program evaluation techniques.

Appropriations

Salaries and expenses - Small Business Administration

Appropriations Committee Issues

Financial information needs to be collected and analyzed by SBA to determine whether this program is effective.

SMALL BUSINESS ADMINISTRATION

Efforts To Improve Management of the Small Business Administration Have Been Unsatisfactory--More Aggressive Action Needed

(CED-79-103, 8-21-79)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Small Business Act (15 U.S.C. 636(A)). Small Business Investment Act of 1958 (15 U.S.C. 661). Small Business Amendments of 1974 (P.L. 93-386).

The Small Business Administration (SBA) has been unsuccessful in carrying out many GAO recommendations to correct problems in its programs and activities. Key programs and activities dealing with personnel, financial, and management control functions of the agency continue to need improvement.

Findings/Conclusions: SBA continues to produce unsound loans under the business loan program because its approval and servicing procedures are not followed. The agency's monitoring of the local development companies' activities continues to be insufficient. Investment policies of small business investment companies have not changed appreciably since prior review by GAO. Some employees making or influencing decisions on assistance do not file statements of employment and financial interests, even though the agency issued rules and regulations on the matter. Although the agency has issued new procedures in some cases and reminded employees to follow existing procedures in others, most of the problems previously reported to Congress still exist.

Recommendations: The Administrator, SBA, should review SBA actions to implement the prior recommendations, and take the steps necessary to make sure that effective corrective actions are taken on those recommendations which have not been fully carried out. In future oversight hearings on the local development company program, the Senate Select Committee on Small Business and the House Committee on Small Business should review the SBA March 1977 policy change which eliminated the requirement that owners of small businesses who have sufficient personal resources fund at least part of the loan. With this change, the agency is not a lender of last resort, as is the case in other small business loan programs. In addition, these Committees should closely monitor the agency's progress in correcting problems.

Agency Comments/Action

The Administrator, SBA, agreed and directed that a review and evaluation be made of all recommendations made in GAO reports issued since 1975, including those under Public Law 93-386.

Appropriations

Business Loan and Investment Fund - Small Business Administration
Salaries and expenses - Small Business Administration

Appropriations Committee Issues

The Committees should determine how well the SBA top management has acted to ensure that the prior GAO recommendations are effectively implemented.

SMALL BUSINESS ADMINISTRATION

How Do Federal Agencies Assure That Disaster Loan Recipients Maintain Mandatory Flood Insurance

(CED-80-10, 10-26-79)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (0453)
Legislative Authority: Disaster Relief Act of 1974 (P.L. 93-288). Flood Disaster Protection Act of 1973 (P.L. 93-234). National Flood Insurance Act of 1968 (42 U.S.C. 4012a). Consolidated Farm and Rural Development Act (7 U.S.C. 1961). Small Business Act (15 U.S.C. 636(b)). 24 C.F.R. 2205. Executive Order 12127. Executive Order 12148. 43 Fed. Reg. 7142. 42 U.S.C. 5154(b).

The disaster loan programs of the Farmers Home Administration (FmHA) and the Small Business Administration (SBA) were reviewed in an examination of the procedures used by Federal agencies to assure that disaster loan recipients maintain flood insurance when required as a condition for such loans. GAO reviewed legislation; agency policies, procedures, regulations, and guidelines; and gathered statistics on repeat flooding, flood insurance policies, and FmHA and SBA flood disaster loan activities since fiscal year 1975.

Findings/Conclusions: Neither of these agencies nor the Federal Emergency Management Agency (FEMA) had adequate information concerning the number of communities suffering repeat flooding, the number of loans requiring mandatory flood insurance made in flood hazard areas, and the number of borrowers required to buy flood insurance who had failed to renew or had their insurance canceled before the final repayments of their loan. Therefore, the extent of actual or potential losses to the Government and to borrowers from failure to maintain flood insurance could not be determined. Since neither of the legislative acts covering flood and disaster relief is explicit as to second loans to individuals failing to maintain required insurance on previous loans, FEMA, FmHA, and SBA established their own policies and regulations on subsequent assistance. Thus, there was some inconsistency in the three agencies practices. Given the known incidences of repeat flooding at the county level throughout the Nation during the last decade, flood insurance policy cancellation could develop into a financial disaster for uninsured borrowers. FEMA has certain corrective actions planned to combat the current lack of adequate information at the community and borrower levels. FmHA had adequate procedures to protect the Government's interest by assuring that flood insurance is maintained where required. SBA practices appear to be less than adequate in that the agency does not have contingency procedures which allow it to pay the insurance premium if the borrower fails to renew.

Recommendations: The Administrator of SBA should: (1) determine the extent of flood insurance cancellation by disaster loan recipients since the Flood Disaster Protection Act of 1973 took effect, (2) examine the writeoffs of uncollectable loans since that time due to repeat flooding, and (3) estimate the annual costs of monitoring SBA flood disaster loans. Unless the costs of loan servicing substantially exceed actual or potential uninsured losses, the Administrator should revise agency procedures to require that each flood disaster loan threatened by the borrower's failure to renew be serviced annually. If the agency revises its procedures, the Administrator should adopt contingency provisions similar to those of the FmHA which would permit SBA to pay the borrower's insurance, should he fail to do so, and to seek reimbursement from the borrower. The Subcommittee on Oversight and Review should, in conjunction with the appropriate legislative committee, examine whether there is a need for a more specific or uniform national policy governing subsequent loans to individuals who fail to maintain flood insurance required by a previous loan.

Agency Comments/Action

SBA stated that the recommendations could only be accommodated by extensive analysis which would require many manhours of effort, and that the agency did not have the necessary personnel to make this kind of analysis. Further, SBA stated that in view of its historically low loss rate on disaster loans, it would not appear that the cost benefit of such analysis would be justified. SBA, however, could provide no evidence to show that its loss rate was historically low.

Appropriations

Disaster Loan Fund - Small Business Administration

Appropriations Committee Issues

The Committees should consider requiring SBA to perform the recommended analysis.

SMALL BUSINESS ADMINISTRATION

Small Business Administration Franchise Loans: Risk of Loss Can Be Reduced and Program Effectiveness Improved

(CED-80-47, 4-11-80)

Budget Function: Community and Regional Development: Area and Regional Development (0452)
Legislative Authority: Economic Opportunity Act of 1964 (P.L. 88-452). Small Business Act (15 U.S.C. 636(a)). 13 C.F.R. 120.2. 13 C.F.R. 121. 13 C.F.R. 122.2. 13 C.F.R. 129.1.

A review was undertaken of the Small Business Administration's (SBA) franchise loan policies and practices. As of April 1979, SBA had made or guaranteed about 16,400 loans totaling about $1 billion to franchise businesses. As of September 1978, the risk of loss by SBA on franchise loans was about $548 million. Most of SBA franchise business loans have been made under its principal business loan program. The remainder have been made under the SBA Economic Opportunity Loan (EOL) program.

Findings/Conclusions: Under the SBA principal business loan program (the 7(a) program), to be eligible for a franchise business loan, a firm must be independently owned and operated and meet the small business size standard that SBA established for the firm's industry. The three types of loans made under the 7(a) program are guaranteed, immediate participation, and direct loans. Guaranteed loans account for about 64 percent of the loans made under the program. According to SBA procedures, EOL's are restricted to low-income individuals or persons who, due to social or economic disadvantage, have been denied the opportunity to acquire adequate business financing through normal leading channels on reasonable terms. GAO believes that the SBA franchise guidelines are adequate to ensure loan payment. However, its practices and procedures were not always followed. Moreover, although SBA provides some information, counseling, and management assistance to franchise borrowers, improvement is needed to ensure loan payment. Further, SBA field visits, a necessity in identifying borrower financial difficulties and determining whether management assistance is needed, were not made in accordance with operating procedures for 50 percent of the loans GAO reviewed. SBA officials attributed this to staff shortages.

Recommendations: The Administrator, SBA, should require that: (1) SBA not make or guarantee franchise loans unless it has evidence that the franchisor cannot guarantee all or part of SBA direct loans or share with SBA guarantees of bank loans; (2) SBA not make or guarantee franchise loans if the franchisor can provide financial assistance on reasonable terms; (3) before approving loans, district offices obtain proof of refusal by banks and others to make loans, including the date, amount, and terms requested, and the reason for refusal, as required by Federal regulations; (4) district offices obtain and review franchise agreements in all cases to ensure that provisions in the agreements do not make prospective borrowers ineligible for loans or unduly restrict the borrowers' repayment abilities; (5) district offices limit, to the maximum extent possible, accepting the weaker types of collateral to secure loans, especially inventory and accounts receivable; (6) district offices have independent appraisals made of collateral pledged for those loans exceeding a certain amount; (7) district offices negotiate guarantee rates with banks to reduce the number of loans being guaranteed at the maximum 90 percent rate; (8) headquarters office make financial analyses of franchisors, particularly those whose franchisees have received over 100 loans, and advise the district offices of the results for their use in obtaining franchisor guarantees of SBA direct loans and sharing of bank-loan guarantees with SBA; (9) district offices make or otherwise obtain credit analyses of all franchisees; (10) SBA Standard Operating Procedures be revised to define a franchise; and (11) SBA establish at the headquarters office an information file on franchise loans, including loan failure rates for each franchisor and the reasons for each failure, and provide this information to district offices and prospective franchises for their use in making loan decisions to help reduce the potential for loan losses.

Appropriations

Business Loan and Investment Fund - Small Business Administration

Appropriations Committee Issues

Program costs could be reduced through improved SBA administration and transfer of some of the risk of loss on loans to the companies that sell franchises.

SMALL BUSINESS ADMINISTRATION

The Small Business Investment Company Program: Whom Does It Benefit? Is Continued Federal Participation Warranted?

(CED-78-45, 3-3-78)

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (0403)
Legislative Authority: Small Business Investment Act of 1958 (15 U.S.C. 661) Federal Financing Bank Act of 1973.

The Small Business Investment Company (SBIC) program was intended to stimulate and supplement the flow of private-equity capital and long-term loans to small businesses (independently operated, generally with assets not exceeding $9 million) for growth, expansion, and modernization. The Government makes long-term loans to SBIC's which are regulated and licensed by the Small Business Administration (SBA), charging interest at approximately its cost of borrowing, about 7 percent or 8 percent. **Findings/Conclusions:** In spite of the Government's large financial commitment to the program, only a select group of small businesses is being serviced. As of March 31, 1976, 277 SBIC's had outstanding investments of about $569 million and about $467 million in Federal loans outstanding. Equity-oriented SBIC's consider investments according to risk and growth potential and set rigid investment criteria, while loan-oriented SBIC's are primarily concerned with the borrower's ability to repay loans. The following factors restrict the usefulness of the program: it is smaller than it was in its formative years in number of investment companies and annual financings; few businesses get equity-type financing because of the preference of SBIC's for larger small businesses with growth potential; such businesses can receive financing from private industry; private companies sometimes financed the same businesses as SBIC's, usually with larger investments; much of the equity capital provided has come from bank-dominated SBIC's and many of the companies have not used the loan funds and SBIC's often serve the same clientele as those of the SBA 7(a) business loan program which has better terms for loans. **Recommendations:** The Congress should require the Administrator of SBA to fully justify the role, if any, that the SBIC program should play in meeting the financing needs of small businesses, including a determination of: size and type of small businesses that are financed by the private venture capital industry and its ability to meet equity-financing needs, whether the SBIC program is the proper vehicle to meet the needs of small businesses and whether continued funding of loan-oriented SBIC's is warranted.

Agency Comments/Action

SBA disagreed in many respects with the GAO analysis of the program. SBA stated that a thorough study of the program using outside consultants might provide a third opinion on where the program has been, is today, and should be headed.

Appropriations

Business loan and investment fund - Small Business Administration

Appropriations Committee Issues

When evaluating SBA budget requests, the Committees should examine the issue of whether the program should be continued.

SMALL BUSINESS ADMINISTRATION

Status Report on Small and Small Minority Business Subcontracting and Waiver of Surety Bonding for 8(a) Firms

(CED-80-130, 8-20-80)

Budget Function: Procurement--Other Than Defense (1007)
Legislative Authority: Small Business Act. Executive Order 12190. P.L. 95-507. H.R. 5612 (95th Cong.). S. Rept. 95-1070.

The Small Business Act was amended to emphasize the use of subcontracting as a method of promoting the long-term viability of small and minority businesses. The Small Business Administration (SBA) is authorized to provide financial assistance to large businesses for the purpose of training and upgrading potential small and small minority contractors. This authority generally has not been used. The Act was also amended to provide small and small minority businesses with a maximum practicable opportunity to participate in the performance of contracts let by Federal agencies. The amendments required an implementing clause to be included in all contracts exceeding $10,000, and required that construction contracts in excess of $1 million and other contracts in excess of $500,000 contain subcontracting plans for SBA review for the purpose of determining whether maximum practicable opportunity has been afforded to small and minority businesses. These reviews must be reported annually to the House and Senate Small Business Committees.

Findings/Conclusions: The subcontracting program of the SBA functions with the assistance of a Presidentially appointed advisory committee. Delays in establishing the advisory committee, lack of specific committee functions and goals, and the exclusive focus of the committee on Federal subcontracting have impeded progress in implementing the program. A clear understanding of the committee's role and relationship with SBA has yet to be resolved. A major problem has been the lack of a clear definition of the intent of the amendments. The primary objective is to encourage large businesses in the private sector, as a general and voluntary subcontracting practice, to make greater use of small and minority businesses. GAO believes that the future relationship between SBA and the committee should focus primarily on exploring ways to promote subcontracting opportunities for small and minority businesses outside of Federal procurements. The Procurement Automated Sources System seems to have considerable potential for marketing the goods and services of a large number of small and minority firms in the private sector. A major cause for the delay in implementing the surety bond waiver provision appears to be a misunderstanding between two SBA offices, the Office for Minority Small Business (OMSB) and Capital Ownership Development and the Office of Special Guarantees. The OMSB priorities have also contributed to the delay in implementing the surety bond waiver program. Since the Office of Special Guarantees has some surety bonding expertise, OMSB will have to closely coordinate with it.

Recommendations: The Administrator of SBA together with the Advisory Committee should develop a specific plan for promoting private sector procurements from small and small minority businesses. This plan should include specific functional responsibilities of both SBA and the Advisory Committee, specific short-range goals, and a monitoring and evaluating component, so that problems impeding its implementation can be identified and resolved. In developing the plan, SBA and the Advisory Committee should consider expanding those activities already initiated by SBA, such as seminars, personal contacts with chief executive officers of major corporations, and private sector use of the Procurement Automated Sources System. The feasibility of enlisting the support of outside organizations concerned with developing small and small minority businesses should be assessed. The SBA Administrator should clearly define the roles of the Office for Minority Small Business and Capital Ownership Development and the Office of Special Guarantees in order to prevent any additional delays in the surety bond waiver program. When SBA issues instructions for the waiver program, they should spell out the process for identifying and referring potential waiver candidates to the appropriate office for consideration.

Agency Comments/Action

SBA said the report accurately documented problems experienced in implementing the subcontracting program and agreed with the overall conclusion that greater attention needs to be given to promoting subcontracting opportunities for small and small minority firms in the private sector. SBA said that the report and the recommendations will be discussed with members of the Advisory Committee. Regarding the surety bond waiver provision, SBA agreed that the roles of the offices need to be clearly defined. SBA intendes to issue an instruction in accordance with the recommendation.

Appropriations

Minority small business and capital ownership development - Small Business Administration

Appropriations Committee Issues

The Committees should monitor SBA actions to assure that SBA develops a specific plan for promoting private sector procurements from small and small minority businesses, and implements the surety bond waiver provision.

SMALL BUSINESS ADMINISTRATION

The Surety Bond Guarantee Program: Significant Changes Are Needed in its Management

(CED-80-34, 12-27-79)

Budget Function: Community and Regional Development: Community Development (0451)

The Surety Bond Guarantee Program of the Small Business Administration (SBA) was established to guarantee up to 90 percent of a surety company's losses on bonds issued to small businesses which could not obtain bonding without the guarantee. From its inception in 1971, the program guaranteed more than 91,000 contracts totaling $6.3 billion. GAO evaluated the management of the program.
Findings/Conclusions: SBA has not managed the Surety Bond Guarantee Program satisfactorily. GAO identified four principle problem areas. First, SBA approved most bond guarantee applications on the basis of limited reviews of incomplete or erroneous underwriting data. As a result of this practice, SBA-guaranteed contractors defaulted on about 5,600 contracts. Second, SBA and participating sureties made little effort to minimize losses by attempting to prevent contractor defaults. Dealing with sureties which specialize in writing SBA-guaranteed bonds raised the costs of defaults to SBA since most specialty sureties do not have the capability to handle claims internally; the cost of claims handled by outside attorneys was charged to SBA. Third, the program has not significantly contributed toward graduating contractors into the private bonding market. This has been due to a failure to encourage graduation, a reluctance on the part of specialty sureties to issue bonds without SBA guarantees, and the failure of SBA to establish guidelines regarding contractor graduation. Fourth, SBA did not identify the need for management assistance or provide assistance to program contractors; rather, program officials responded only to infrequent requests for assistance.
Recommendations: The Administrator of SBA should: (1) develop underwriting guidelines to assist program personnel and surety companies in evaluating contractors' surety bond guarantee applications and require program officers to verify the data contained in selected contractor applications; (2) direct program officers to decline applications with inadequate underwriting data and to refuse to do business with agents who repeatedly submit unreliable data; (3) establish and enforce guidelines regarding surety responsibilities for monitoring contractor progress and preventing defaults; (4) establish a claims-handling reimbursement rate which will result in a reasonable and equivalent net claims-handling cost for sureties which have in-house claims handling capability and those which do not; (5) establish graduation criteria and procedures for formally encouraging and assisting contractors to obtain private bonding and place incentives on the surety companies to graduate contractors; and (6) identify the management assistance needs of program contractors and provide timely and adequate management assistance to them.

Agency Comments/Action

SBA placed an interim management team in the Surety Bond Guarantee Program to determine what specific changes need to be implemented. The agency also initiated an audit of surety company claims.

Appropriations

Surety Bond Guarantee Program - Small Business Administration

Appropriations Committee Issues

Opportunities exist for SBA to minimize losses in the Surety Bond Guarantee Program.

SMALL BUSINESS ADMINISTRATION

What Is a Small Business? The Small Business Administration Needs To Reexamine Its Answer

(CED-78-149, 8-9-78)

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (0403)
Legislative Authority: Small Business Act (15 U.S.C. 632).

The Small Business Administration's (SBA) size standards define which businesses are small and, therefore, eligible for Federal small business assistance programs. SBA regulations state that, since smaller concerns often are forced to compete with middle-sized, as compared with very large concerns, size standards should be established as low as is reasonably possible. Also, these standards should be limited to that segment of each industry that is "struggling to become or remain competitive."

Findings/Conclusions: The present loan and procurement size standards for most industries were established 15 or more years ago and have not been reviewed periodically to determine their continuing validity. SBA records do not indicate how size standards established before 1971 were arrived at. Analyses supporting 10 of the 64 standards established since 1971 do not demonstrate that the standards were set in conformance with agency regulations. Because the SBA has not accumulated data on the size of businesses that have bid both successfully and unsuccessfully on set-aside and unrestricted contracts, it does not know the size of firms in many industries which need set-aside protection. The current size standards often define as "small" a high percentage of an industry's businesses. The size standards appear to have little effect on the size of businesses which receive section 7(a) loans.

Recommendations: The Administrator of the SBA should reexamine the standards to ensure that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses. This review should include: (1) determining, in accordance with regulations, the size of businesses in each industry that are struggling to become or remain competitive, and (2) by collecting data on the size of bidders on set-aside and unrestricted contracts, determining the size of businesses which need set-aside protection.

Appropriations

Operating expenses - Small Business Administration
Salaries and expenses - Small Business Administration

Appropriations Committee Issues

SBA should ensure that size standards, established for many industries and most of its programs, are set so that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses.

TENNESSEE VALLEY AUTHORITY

TVA Needs To Improve Management of Power Stores Inventories

(LCD-80-32, 1-25-80)

Budget Function: General Government: General Property and Records Management (0804)

GAO identified ways that the Tennessee Valley Authority (TVA) could better manage the material inventories it maintains to support the production and distribution of electrical power.

Findings/Conclusions: The material inventories of the TVA have rapidly increased. Material worth approximately $51 million exceeded the corporation's near-future needs. GAO found several factors which contributed to this excess. Stockage objectives were being determined by plant superintendents rather than being based on past usage. Excess stocks were not systematically identified and redistributed to locations needing the material to avoid new purchases. Inactive items were not regularly reviewed and removed from inventory to reduce carrying costs and the risk of obsolescence. Material was incorrectly classified as standby stock resulting in the retention of larger quantities than needed to satisfy demand. TVA management has recognized the need for strengthening controls over its material and was completing development of a modern automated material management system. However, it had not developed the organizational structure and material management policies necessary for effective operation of the system.

Recommendations: The Chairman of the Board of Directors of the TVA should require that an organizational entity be established in the Office of Power with responsibility and authority to develop standard material management policies and procedures and direct their application throughout the power stores system. The policies and procedures should be designed to ensure that: (1) stockage objectives are established at reasonable levels in accordance with an acceptable standard demand-based formula; (2) the power stores system is screened for excess stocks on a regular basis and the excess stock is redistributed to those activities with a requirement for the material; (3) a program is established to regularly and systematically identify inactive items and remove them from inventory; and (4) standby stock is properly defined and the definition is consistently applied throughout the power stores system.

Agency Comments/Action

Agency officials are generally concerned with the conclusions and recommendations. They have developed a materials cost control policy statement which, if implemented, should correct the deficiencies covered by the report and vastly improve management of power stores inventories. A position has been established within the Office of Power with responsibility for implementing the policy.

Appropriations

Power program - Tennessee Valley Authority

Appropriations Committee Issues

TVA should follow through with the implementation of its newly developed materials cost control policy.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Better Services at Reduced Costs Through an Improved "Personal Care" Program Recommended for Veterans
(HRD-78-107, 6-6-78)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (0703)

As part of outpatient care for veterans, the Veterans Administration (VA) operates a community care program in which veterans live in residences other than their own under VA supervision. Within this program, the personal care residence (PCR) program functions as an alternative to long-term institutionalization of psychiatric, medical, and surgical patients. In the PCR (or foster home), a sponsor provides or arranges for personal care functions, and the veteran pays for his living arrangements. In fiscal year 1977, about 20,000 veterans lived in such homes.

Findings/Conclusions: The concept of the personal care program is practicable. The medical and psychiatric conditions of veterans improve after placement in PCR's, and costs of such care are reduced. Thousands of veterans in VA facilities could be cared for in PCR's but remain in the other facilities because of such factors as insufficient funds, lack of suitable community facilities, patient or family resistance to VA out-placement efforts, and lack of a formal personal care program. VA has made some progress toward use of the program, but more needs to be done to expand its use and assure adequate services and facilities for veterans in PCR's. Ineffective program management at the VA central office and at the hospitals has resulted in some programs which do not assure that suitable veterans are placed in homes and that adequate services and facilities are provided.

Recommendations: The Administrator of Veterans Affairs should direct his actions toward: improving overall personal care program management, expanding the use of this alternative, and improving program operations to assure quality services and facilities for veterans in PCR's. Congress should provide specific legislative authority for the PCR program and authorize VA to participate in paying the cost of indigent patients' personal care when other fund sources are not available.

Agency Comments/Action

VA stated that it was unable to fully respond to our recommendations because the program has limited legislative sanction in that it is based on broad VA authority to provide hospital, nursing care, and medical services on an inpatient and outpatient basis to eligible veterans. VA stated that while this is sufficient for them to plan for the outplacement of veterans, to refer them to homes which meet VA criteria, and to provide outpatient care, it falls short of permitting VA to establish or enforce any personal care home standards once a veteran has been placed, or to impose a rate-setting structure on personal care home sponsors. However, VA concurred with most of our recommendations, assuming that the program would continue under the limited authority cited above. VA stated that it is not in favor of legislation affecting the personal care home program until an adequate data base has been developed so that a thorough analysis of all program aspects could be made. The VA study was published in May 1979. Legislation has been proposed to OMB to provide specific legislation authority for the VA personal care program.

Appropriations

Medical care - Veterans Administration

Appropriations Committee Issues

The Subcommittee needs to monitor the VA study and determine if legislation changes should be made to limit VA in expanding its program.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Recruitment and Retention of Veterans Administration Health Care Workers Are Not Major Problems

(HRD-77-57, 3-31-77)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: (89 Stat. 669; P.L. 94-123). B-131808 (1957). 38 U.S.C. 73. 5 U.S.C. 5301. 5 U.S.C. 5333.

Certain health care occupations have a large number of employees, critical responsibilities, and relatively high turnover rates. These occupations were chosen for review in an analysis of recruitment and retention problems of health care personnel, other than dentists and physicians, in the Department of Medicine and Surgery with respect to basic pay and premium and overtime pay rates: registered nurses; licensed vocational practical nurses; nursing assistants; physical therapists; occupational therapists; medical technologists; radiology technicians (diagnostic); pharmacists; nuclear medicine technicians; and inhalation therapy technicians.

Findings/Conclusions: The VA does not have widespread problems in recruiting and retaining health care workers: VA hospital workers' salaries generally were comparable to or higher than those in the non-Federal facilities; most workers who quit VA did not cite pay as the main reason; current workers were generally satisfied with their salaries; and turnover rates for VA workers were usually lower than for similar non-Federal workers. Recruitment problems were caused by shortages of personnel in certain occupations and the isolated locations of some VA hospitals. Retention problems were caused by employees leaving the area, seeking self-development, or leaving for personal reasons such as family responsibilities. Morale problems have been created by the differences between the pay systems used to employ hospital workers, primarily between the Federal Wage System, under which many unskilled workers are hired, and the Department of Medicine and Surgery systems, under which college-trained, skilled workers are often hired. Workers under the former system earn much more.

Recommendations: Congress should not enact special pay legislation to deal only with VA hospital workers. The problems should not be dealt with piecemeal. The recommendations of the President's Panel on Federal Compensation and in GAO's prior reports regarding pay setting and adjusting (multischedules and determining pay by locality for many Federal employees and eliminating the legislative restraints to achieving comparability with the non-Federal sector) have merit and should be implemented.

Agency Comments/Action

Recommendations were to the Congress; therefore, VA did not reply and no action was recommended for the agency. No congressional action has been taken as of October 1980.

Appropriations

Medical care - Veterans Administration

Appropriations Committees Issue

Special pay legislation should not be enacted to deal only with VA hospital workers.

VETERANS ADMINISTRATION

GI Bill Benefits for Flight and Correspondence Training Should Be Discontinued

(HRD-79-115, 8-24-79)

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (0702)
Legislative Authority: Title 38, United States Code.

Legislation was proposed by the Veterans Administration (VA) to Congress to terminate GI bill benefits for flight and correspondence training programs. VA contends that, because these two programs have not achieved their intended purpose, they did not lead to continuing substantial employment for most trainees, and because of the potential for abuse within the programs, they should be terminated.

Findings/Conclusions: Hundreds of millions of dollars in VA education assistance has been paid to veterans enrolled in flight training programs since the current GI bill was amended in 1967 to include such training. A random sample of veterans who completed their flight training from 1972 through 1976 disclosed that only about 16 percent had full-time jobs directly related to this training. In addition, the number of veterans who have already received flight training under the GI bill substantially exceeds the number of pilot jobs presently available or expected to be available through 1985. The overall completion rate for correspondence courses is less than 50 percent. Employment survey reports do not show whether most veterans obtained training-related employment or to what extent such employment represents the veteran's primary vocational pursuit and major source of occupational income. This is because the reports cover all students, and most students do not appear to be veterans; related employment is not limited to full-time jobs; and only a small percentage of students beginning correspondence courses are actually included in the computation of the employment rate. The GAO review supported VA assertions that flight and correspondence training programs have not achieved their intended purpose of providing continuing substantial employment for most trainees.

Recommendations: Congress should adopt the VA legislative proposal to terminate GI bill benefits for flight and correspondence training. However, if these programs are not eliminated, other legislative action should be taken to modify and clarify the 50-percent job placement rule to: include a minimum acceptable completion rate for vocational objective courses; require that 50 percent of the veterans and other eligible persons who complete vocational objective courses obtain employment in the occupational category for which training was received; and require that such employment constitute the veteran's primary vocational pursuit and major source of occupational income.

Agency Comments/Action

The Administrator of Veterans Affairs stated in an October 19, 1979, letter to the Director, Office of Management and Budget, that VA agrees with the GAO findings and concurs in the GAO recommendations to Congress.

Appropriations

Readjustment benefits - Veterans Administration

Appropriations Committee Issues

VA estimates that termination of GI bill benefits for flight and correspondence training programs beginning with fiscal year 1980 would save about $217 million over the next 5 years. The Congressional Budget Office estimates that if Congress adopts the alternative recommendation to tighten eligibility criteria and administrative controls over flight and correspondence training programs, the fiscal year 1980 cost savings in budget authority and outlays would total about $31 million. Similar savings, in declining amounts, would also accrue in future years.

VETERANS ADMINISTRATION

New Legislation and Stronger Program Management Needed To Improve Effectiveness of VA's Vocational Rehabilitation Program

(HRD-80-47, 2-26-80)

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (0702)
Legislative Authority: P.L. 95-202. P.L. 78-16. 38 U.S.C. 31. 38 U.S.C. 1501(2).

The Veterans Administration (VA) vocational rehabilitation program was established to restore the employability of veterans whose employability has been lost because of a service-connected disability. Pursuant to a congressional request, GAO reviewed the program to determine whether a revision of authorizing legislation would correct major program problems or whether other actions should be taken to improve the program's effectiveness.

Findings/Conclusions: The most important of several factors contributing the program's limited effectiveness was a lack of strong central management and accountability for program results at the central office level. No single organizational unit or individual had been given the authority and management responsibility for overall direction and control of the program. In addition, the objectives established by the central office, and the VA management information system, were geared to broad functions and processes that encompassed all VA programs, rather than focusing on a specific program's intended and actual results and outcomes. Other factors that limited the effectiveness of the program included financial disincentives caused by competition from other VA benefits; problems in program outreach and enrollment practices; and a lack of comprehensive rehabilitative services.

Recommendations: The Administrator of Veterans Affairs should revise the VA vocational rehabilitation program by: (1) adopting the current professional view that the primary purpose of vocational rehabilitation is to help the client become a satisfactory and satisfied employee; (2) considering a revision of VA regulations to emphasize the integrative use of diagnostic, medical, social, psychological, vocational, and other services needed to ensure maximum rehabilitation; (3) giving priority to veterans with serious employment handicaps; (4) establish a single unit at the central office level to manage the vocational rehabilitation program; (5) establish precise, results-oriented goals and objectives for the program; (6) revise the VA automated management information system to include routine collection and reporting of needed data; (7) develop and implement a comprehensive outreach plan of action to ensure that all service-disabled veterans are contacted and adequately informed of their potential eligibility for the program, with special emphasis on the more seriously disabled veterans; (8) implement the case manager concept at the regional office whereby one person is assigned to a veterans's case for the entire term of his participation and followup; (9) revise VA regulations to require that regional office rehabilitation personnel determine and document the nature and extent of lost employability for each veteran; and (10) revise VA regulations to require that all disabled veterans applying for a 100-percent "individually unemployable" rating be referred to the vocational rehabilitation unit for an evaluation of their rehabilitation and work potential before they are considered for the rating. The Congress should: (1) amend the appropriate legislation to allow service-disabled veterans who need vocational rehabilitation services to enroll under the program with an option of two specified payment plans to correct the problem of service-disabled veterans choosing to enroll under the regular GI bill program instead of the veterans rehabilitation program solely for financial reasons; and (2) amend the appropriate legislation to expand the statutory purpose of "vocational rehabilitation" beyond employability to include attainment of gainful employment.

Agency Comments/Action

The Veterans Administration generally agreed with the recommendations. The Administrator noted that the GAO report confirmed the findings developed during VA internal reviews and evaluations of the vocational rehabilitation program. VA has moved rehabilitation to a position of high priority within the agency and has outlined actions that have been or will be taken to address each GAO recommendation.

Appropriations

Readjustment benefits - Veterans Administration

Appropriations Committee Issues

Based on a review in three VA regional offices, GAO found substantive evidence that many of the individuals enrolled in the vocational rehabilitation program did not appear to need special vocational rehabilitation services to restore employability lost due to service-connected disabilities. GAO believes that if VA takes appropriate action on the recommendations contained in the report, especially establishing a requirement that the nature and extent of each veteran's lost employability be documented as support for determining which veterans need special rehabilitation services, this will result in decreased funding levels for the vocational rehabilitation program.

VETERANS ADMINISTRATION

Planned Expansion of Hines Supply Depot Has Not Been Justified

(PSAD-80-31, 2-26-80)

Budget Function: Veterans Benefits and Services: Other Veterans Benefits and Services (0705)

The Veterans Administration (VA) planned to expand the Hines Supply Depot to meet projected inventory increases. The depot is one of three responsible for storing and distributing medical supplies and food to VA medical centers and other Government facilities. VA hired a private consultant to calculate future warehouse space requirements and design a new depot complex to meet projected growth. For years, VA has predicted that the depot would run out of space, but these predictions have not materialized.

Findings/Conclusions: The Government's policy of relying more on commercial supply source and distribution channels than on in-house storage facilities was not considered in the VA space requirements projection. However, VA officials stated that they had reduced the number of centrally managed stock items as a direct result of their efforts to implement the policy. The Marketing Center determines what, how much, and when supplies enter the supply depot. Yet, the record indicated that it provided little input to the space assessment. VA used an unreliable indicator, projected dollar growth, to demonstrate a need for additional space. Alternatives to the expansion plan such as reducing inventory levels or leasing external storage space were not fully considered. Office of Management and Budget guidelines were not followed. VA did not consider critical cost factors such as the Government's cost to finance the expansion and the cost of inflation.

Recommendations: The Administrator of Veterans Affairs should direct the Chief Medical Director of the Department of Medicine and Surgery to: delete the Hines Depot expansion project from the 1981 budget request; reassess Hines' need for space, considering the impact of the "buy commercial" policy, consulting with Marketing Center officials, and using reliable indicators of growth; and if the need for more space can be demonstrated, fully assess alternate solutions, considering all cost factors.

Agency Comments/Action

VA disagrees with the GAO conclusion and recommendation that need for the Hines Depot expansion should be reconsidered and the funds included in the 1981 budget request for that expansion should be deleted. The Administrator of VA has sufficient justification to proceed.

Appropriations

Construction - Veterans Administration

Appropriations Committee Issues

GAO continues to believe that the $8.8 million in the VA 1981 budget for the Hines Depot expansion should be deleted for the reasons stated in the report. These reasons have not been effectively dealt with by VA.

VETERANS ADMINISTRATION

VA Must Strengthen Management of ADP Resources To Serve Veteran's Needs
(FGMSD-80-60, 7-16-80)

Budget Function: Automatic Data Processing (1001)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.M.R. 101-35. OMB Circular A-71.

A review was undertaken of the Veterans Administration's (VA) management and use of its automated data processing (ADP) resources. VA uses computers extensively to aid in administering its various programs. Under the direction of its Office of Data Management and Telecommunications, VA operates six ADP centers and has a total staff of about 2,000. In addition to this ADP capability, VA has at least 400 minicomputers located at 172 VA medical centers in the United States and Puerto Rico. An estimated $113 million was spent in 1979 for ADP system support, and VA expects to spend substantially more in the near future. Currently, VA has three major system development efforts underway. Two deal with its compensation, pension, and education applications, and the third effort deals with the development of a Health Care Information System.

Findings/Conclusions: In its review, GAO found that VA needs to make better use of its ADP resources if it is to effectively support veterans' needs. A master ADP plan, guided more by overall ADP needs than by parochial wants, must be developed and followed. Serious weaknesses in the management of ADP resources can adversely affect the acquisition, development, and maintenance of ADP systems. Some of the weaknesses GAO found present in the VA ADP system include: (1) computer acquisition practices that do not meet user needs or comply with Federal policies; (2) software work approval practices that do not assure that resources spent on software are channeled to the most important projects; (3) ineffective control of software work in process; (4) poorly coordinated use of data processing by VA hospitals; and (5) a need for more systematic and responsible involvement of hospitals in planning for a critical Health Care Information System estimated in 1978 to cost $520 million. Experience has shown that when users do not participate in a responsible manner in the development of a system, the system is destined for failure.

Recommendations: The Administrator of Veterans Affairs should: (1) make a firm commitment to competitive procurement and establish management procedures as well as a formal planning process that will further the prompt competitive acquisition of the correct type and size of ADP equipment; (2) strengthen the planning process by requiring wider user participation, a distinction between required and discretionary software work, and more accountability at the senior management level; (3) establish a staff dedicated to performing discretionary software work such as development, redesign, enhancement, and conversion; (4) adopt and act to enforce the management techniques and procedures being proposed for controlling software work; (5) establish better coordination of hospitals' use of ADP resources; and (6) with the aid of users, analyze more thoroughly the health care system being planned. This analysis should include a detailed study of available capabilities in-house, in other Federal agencies, and in the private sector. Congress should withhold further funding for the Health Care Information System until the Appropriations Committees are satisfied that VA will implement the substance of the recommendations contained in this report.

Agency Comments/Action

The agency initiated actions to comply with several of the recommendations about the same time the report was published.

Appropriations

Data processing appropriations - Veterans Administration

Appropriations Committee Issues

The Committees should ascertain whether VA has implemented the recommendations before approving large expenditures for an automated health care information system.

VETERANS ADMINISTRATION

VA Improved Pension Program: Some Persons Get More Than They Should and Others Less
(HRD-80-61, 8-6-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Social Security Act.

Congress hoped that the law improving pension programs for needy veterans which went into effect January 1, 1979, would enable veterans and their survivors to receive benefits above the poverty level and help them avoid turning to welfare, such as the Supplemental Security Income (SSI) program provides.

Findings/Conclusions: Some couples who receive SSI and VA pensions receive more in benefits from these two programs than do other couples with similar or smaller incomes from other sources. The principal coordination of benefit information between VA and the Social Security Administration (SSA) occurs through automated data exhanges. Some changes are needed in this coordination to improve the accuracy of benefit payments by VA and to eliminate the exchange of unnecessary records. GAO estimates that $14.5 million of inaccurate pension payments were made, principally in 1978. This consisted of: (1) $9.6 million in overpayments because the veterans and/or their spouses failed to report to VA receipt of social security benefits and VA did not use the benefit data provided by SSA in the January 1979 data exchange; (2) $1.7 million in overpayments and $0.3 million in underpayments substantially because one of the matching characteristics SSA used was not on the VA records; (3) $2.0 in overpayments because veterans and/or their spouses did not accurately report receiving SSA black lung benefits; and (4) $0.9 million in underpayments because VA pensioners improperly reported their SSI benefits as social security benefits. VA is providing SSA, in the quarterly data exchange, an estimated 5.1 million unneeded records because it did not use the SSI indicators to limit the number of records provided. Additionally, VA is unnecessarily requesting SSA data for an estimated 618,700 known deceased veterans in the annual data exchange.

Recommendations: The Secretary of Health and Human Services should direct the Commissioner of Social Security to immediately notify SSI-VA recipients residing in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility that they must file for VA improved pension benefits and elect such benefits if they are higher than VA benefits presently being received. The Secretary should revise Health and Human Services regulations for the SSI program so that VA pension benefits received by a veteran ineligible for SSI will be counted as income to the spouse of the veteran in determining the eligibility of the spouse and be allocated and treated in the same manner as other Federal benefits not based on need. The Administrator of Veterans Affairs should: (1) use the SSA annual data exchange to identify and adjust pension payments to pensioners who did not report their social security benefits and have not yet been detected; (2) establish a data exchange to verify Federal Black Lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies; and (3) stop providing records during the annual data exchange on veterans deceased more than 1 year. The Administrator should also stop providing records during the quarterly exchange for pensioners who are not SSI recipients. In this regard, the Commissioner of Social Security should provide VA sufficient information to identify those pensioners who are SSI recipients. The Administator and Commissioner should also take the necessary action to resolve identification problems in the annual data exchange. VA should ask SSA to search for surviving spouses by using, when provided, a spouse's social security number.

Appropriations

Nonservice-connected pensions - Veterans Administration

Appropriations Committee Issues

The House and Senate Appropriations Committees should assess the adequacy of actions taken by VA and SSA to implement the recommendations.

VARIOUS DEPARTMENTS AND AGENCIES

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
DEPARTMENT OF ENERGY
FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF PERSONNEL MANAGEMENT

Additional Management Improvements Are Needed To Speed Case Processing at the Federal Energy Regulatory Commission

(EMD-80-54, 7-15-80)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)

Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Natural Gas Policy Act of 1978. Public Utility Regulatory Policies Act of 1978. Powerplant and Industrial Fuel Use Act of 1978. 18 C.F.R. 2.80. 18 C.F.R. 2.82. 18 C.F.R. 1.1.

Created as an independent regulatory agency within the Department of Energy (DOE), the Federal Energy Regulatory Commmission (FERC) is primarily responsible to regulate directly or indirectly electric power, natural gas, and oil in interstate commerce. Under the law, it has also been assigned most of the functions of the former Federal Power Commission, jurisdiction over oil pipeline rates, and other functions previously the responsibilities of the Federal Energy Administration, the Energy Research and Development Administration, and other agencies. The Natural Gas Policy Act of 1978 imposed upon FERC new additional regulatory responsibility for 45 percent of the market for natural gas by bringing much of the previously unregulated intrastate market under FERC jurisdiction. Effective administration of these responsibilities is necessary to provide consumers adequate supplies of energy at reasonable prices and give energy producers the incentives necessary to increase domestic supplies. FERC carries out its assigned functions either through rulemaking or adjudicatory procedures. However, its ability to carry out its responsibilities has been severely hampered by an inefficient case management process; it has a backlog of more than 10,000 unresolved cases, some as old as 17 years.

Findings/Conclusions: Despite the progress FERC has made toward improving case management, it needs to be even more aggressive in expediting case processing in each of its major case processing phases of technical analysis, hearings, and Commission decisionmaking. Two major factors contributing to unnecessary delays in processing time are the large numbers of deficient or incomplete applications received and the extensive delays in the preparation of environmental impact statements by FERC. Deficient applications are caused by the FERC lack of clarity in defining the required data. Delays in completing environmental impact statements are attributable to poor interagency coordination and inordinate delays in starting environmental reviews. While less than 1 percent of the FERC cases go to hearing, they include almost half of those having a significant impact on the Nation's nonnuclear energy supplies and policy. The hearing process can take from 2 to 5 years. The principal cause of this delay was inadequate incentives for administrative law judges (ALJ) and for FERC itself to expedite the hearing process. Decisionmaking, the final phase of the caseload management process, often consumes one-half to three-fourths of total case processing time. Procedural problems collectively delaying this phase for over 1 year include: inefficient intermediate legal review procedures, inadequate managerial accountabililty for new cases and reconsiderations, and insufficient delegation of authority to expedite considerations of high priority energy decisions.

Recommendations: FERC should: (1) impose reasonable, strict deadlines on applicant response time; (2) use fines and reject incomplete applications; (3) simplify and clarify applicant data requirements; (4) require its staff to begin preparing environmental impact statements immediately after its initial review of an application; (5) intensify its efforts to enter into written interagency coordination agreements; (6) seek the cooperation of its Chief ALJ in discouraging unnecessary delays during the hearing process by urging all law judges to evaluate requests more critically for time extensions and to require all parties to a proceeding to file statements of issues and position prior to the commencement of hearings; (7) process cases through hearings by more strict adherence to rules on interlocutory appeals, imposing reasonable deadlines on final FERC action for all settlements, and imposing a mandatory 30-day time limit on the total comment period for uncontested settlements; (8) improve the efficiency and effectiveness of legal review procedures by encouraging the heads of the Office of the General Counsel and technical staff offices to meet to resolve concerns and to establish constraints on the format, content, and support of staff input to the General Counsel; (9) encourage the Director of the Office of Opinions and Reviews (OOR) and the Chief ALJ to meet to resolve their mutual concerns and establish constraints on initial decisions; (10) review options for limiting and expediting the OOR review process; (11) revise OOR policy; (12) increase managerial accountability for cases pending final action or reconsideration; (13) increase the delegation of FERC authority for noncritical case decisionmaking; (14) increase the number of staff members designated as project managers; (15) increase the accuracy, completeness, and efficiency of the present management information system by incorporating data on average case processing time, centralizing subsystem data bases, supplementing the manual reporting system, and fully automating the method for preparing monthly reports; (16) increase incentives for expediting case processing by establishing and enforcing target dates and deadlines for all parties to a case and seeking new legislation to impose monetary penalties; and (17) expand the use of generic rulemaking to prevent unnecessary relitigation of generic issues. Other recommendations are noted. Congress should require regulatory agencies such as FERC to develop ALJ performance standards and assign the responsibility for periodic evaluation of ALJ performance to an organization other than the employing agency such as the Office of Personnel Management or the Administrative Conference of the United States.

Agency Comments/Action

FERC issued comments on September 15, 1980, and noted some actions were taken on some of the recommendations.

Appropriations

Energy information policy and regulation - Department of Energy, Federal Energy Regulatory Commission

Appropriations Committee Issues

Congress should require regulatory agencies such as FERC to develop ALJ performance standards.

VARIOUS DEPARTMENTS AND AGENCIES

AGENCY FOR INTERNATIONAL DEVELOPMENT INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

The AID Excess Property Program Should Be Simplified

(ID-80-32, 7-31-80)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151)
Legislative Authority: Foreign Assistance Act of 1961. P.L. 94-519.

The Agency for International Development (AID) Excess Property Program was intended to use excess property instead of new property in AID-funded projects whenever possible. However, the program is not presently directed toward that end.

Findings/Conclusions: Though the program is not presently accomplishing the primary purpose intended by Congress. GAO found that excess property can be used under some circumstances in U.S. foreign assistance. The current use of non-excess property by AID is not the intent of the law. GAO believes that the effort required to redirect the advance acquisition program would be greater than the benefits that would be derived. The General Services Administration's (GSA) implementation of public law has caused voluntary agencies and other recipients to receive less excess property. These agencies will receive an even smaller amount of property if use of non-excess property by AID is reduced.

Recommendations: The Administrator of AID should continue to use excess property otherwise available to AID by developing: (1) procedures to satisfy AID-assisted programs and project needs, where practicable, through the GSA allocation system and from holding agencies; and (2) an education program to encourage mission personnel to use excess property. Until such time as Congress decides to implement the GAO recommendations or take other appropriate actions, the Administrator of AID should discontinue using the revolving fund to obtain non-excess property except to complement excess property. Congress should terminate the authority of the Administrator of AID to operate the advance acquisition segment of the excess property program. This would include abolishing its revolving fund, liquidating the program's inventory, and returning all funds to the U.S. Treasury.

Agency Comments/Action

The agency has made no response to the recommendations.

Appropriations

Foreign assistance and related programs

Appropriations Committee Issues

The Committees should determine whether additional funds to support program operations are in order.

VARIOUS DEPARTMENTS AND AGENCIES

AGENCY FOR INTERNATIONAL DEVELOPMENT
INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

U.S. Response to Jamaica's Economic Crisis
(ID-80-40, 7-17-80)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151)

Assistance from the Agency for International Development (AID) to Jamaica increased sharply in 1977 with balance-of-payment support and developmental aid of nearly $30 million. This increase reflected the U.S. interest in the Caribbean and a concern for the economic deterioration of a neighboring nation. Despite the efforts of the United States, Jamaica, and other donors to halt the decline, the economic situation remains critical with little hope of immediate recovery. Jamaica's balance-of-payment position has suffered as a result of the rise in oil prices, a decline in tourism, a high level of commodity consumption, an undiversified export economy, and a capital outflow partly due to the policies of the government of Jamaica. Negotiations between the government of Jamaica and the International Monetary Fund were unsuccessful in reducing the Government's budget to promote economic stabilization and recovery. Compounding matters, sufficient alternative funding sources have not been identified. Nearly all of the AID projects in Jamaica have problems, which include inadequate project planning, poor commodity procurement, inability of the implementing agency to manage the project, or differences between AID and the Government of Jamaica concerning project goals and interest.

Findings/Conclusions: The problems that are most worrisome are those related to Jamaica's failing economy. AID projects must operate in a climate where local commodities are often in short supply, there are not enough managers and other skilled people, basic infrastructure is deteriorating, inflation is high,and the host government's budget is strained. AID and Jamaican officials are generally confident that the government will be able to continue each project once AID support project ends. However, given the economic conditions that exist in Jamaica which have threatened Jamaica's ability to absorb additional project assistance, project expansion may be difficult. If the Jamaican economy stabilizes or improves, the AID projects have a reasonable chance of success. If the economy deteriorates further, the projects will surely suffer. Since 1978, AID has also committed $21 million to Jamaica through the multilateral Caribbean Development Facility (CDF). The annual evaluation of AID to CDF generally does not comment on the ability of the participating country to meet specified targets. AID relies on other sources to assure project progress and compliance without performing its own independent evaluation and project site visits to verify and supplement information obtained from prime donors. In addition, the AID staff does not directly or routinely receive project progress reports or spot check to assure proper use of funds.

Recommendations: The AID Administrator should: (1) improve the frequency of transmissions of prime donor project monitoring reports to assure full awareness of project progress and problems; (2) ensure that AID staff periodically visit project sites to supplement and verify information provided by prime donor reports; and (3) improve the evaluation process so that project evaluations provide for on-site visits and address all major issues dealing with a project's progress vis-a-vis planned targets and objectives, and with feasibility questions as they might arise.

Agency Comments/Action

AID advised GAO that it will take steps to improve the frequency of project monitoring reports and assure AID surveillance at projects sites. AID also said that it would, in its project evaluations, assess project progress against planned targets and objectives.

Appropriations

Foreign assistance and related agencies appropriations

Appropriations Committee Issues

In its deliberations on the U.S. Assistance Program to Jamaica, the Committee should consider the issues discussed in this report and inquire into whether AID has implemented the promised management improvements

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL AERONAUTICS BOARD
FEDERAL MARITIME COMMISSION
FEDERAL TRADE COMMISSION
INTERSTATE COMMERCE COMMISSION

Protecting Consumer Rights in the Tour Industry: Who Is Responsible?
(CED-79-108, 7-23-79)

Budget Function: Transportation: Ground Transportation (0404)
Legislative Authority: Airline Deregulation Act of 1978. Federal Trade Commission Act (15 U.S.C. 45(a)(2)). P.L. 89-777.

In 1977, American households took an estimated 312 million trips, of which 18.7 million were package tours. It is estimated that at least $4 billion was spent on these package tours. The growing number of complaints received by Federal agencies attests to the fact that the consumer rights of travelers taking package tours are not adequately protected. A Federal Trade Commission (FTC) investigation of the industry revealed that as many as 800,000 travelers a year may encounter problems with the tour they purchase. In early 1976 the FTC initiated an investigation of the package tour industry. During the investigation, FTC received about 3,000 complaints from travelers. Complaint files of subpoenaed tour operators were also checked.

Findings/Conclusions: FTC estimated that the most common unpleasant experience of traveling consumers is the failure to receive one or more advertised items. Almost all tour operators have a high incidence of complaints involving the notification or lack thereof of changes in tours. Another problem is the traveler's inability to ascertain easily from the brochure who the tour operator is and who is liable if something goes wrong. FTC uncovered only one operator who did not have an extremely broadly phrased limitation of liability clause, typically inserted in the fine print of the brochure. FTC found that almost invariably operators limit their liability for the failure of third parties to fulfill their contractual obligations. In a significant number of cases, operators attempt to exculpate themselves from their own negligent acts. GAO concluded that greater controls to protect the touring public are needed, but realized that this may be difficult to achieve under the current disjointed Federal regulatory structure. Although FTC is responsible for preventing unfair practices in industry, the various transportation regulatory agencies, such as the Civil Aeronautics Board, Interstate Commerce Commission, and the Federal Maritime Commission, are responsible for regulating the modal aspects of tours. FTC is precluded from exercising jurisdiction over transportation carriers, and the responsibility of the regulatory transportation agencies is unclear. A regulatory gap has resulted.

Recommendations: After receiving authority from the Congress, the Chairman of the FTC should focus on the following: (1) requiring greater affirmative disclosure of basic tour information in brochures and contracts; (2) modifying the typical liability limitation clause in contracts to strike out language which is clearly unconscionable and unenforceable; (3) requiring that travelers be promptly notified of important changes in a package tour and that they be given the option to cancel without penalty; and (4) making it easier for travelers to sue the tour operator in the jurisdiction where they purchased the tour package. This could be accomplished by requiring tour operators to designate travel agents which sell their tours as their agents for accepting service of process. Congress should enact legislation providing FTC with primary responsibility for preventing unfair and deceptive practices concerning ground or nontransportation parts of package tours. This can be accomplished by further amending the Federal Trade Commission Act to add the following to section 5(a)(2): "provided, however, that nothing in this subsection shall exclude from its coverage carriers, or others, insofar as ground or nontransportation parts of package tours are concerned." In addition, the Congress should direct FTC to assist the tour operator industry in gradually implementing a consumer protection trust fund.

Agency Comments/Action

No Action has been taken to implement report recommendations.

Appropriations

Salaries and expenses - Civil Aeronautics Board, Federal Trade Commission, Federal Maritime Commission, Interstate Commerce Commission

Appropriations Committee Issues

The Committees should be concerned that the efficient use of funds is not being achieved under the present fragmented regulatory responsibility.

VARIOUS DEPARTMENTS AND AGENCIES

COMMUNITY SERVICES ADMINISTRATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Domestic Food Assistance Programs: A Time for Assessment and Change

(CED-78-113, 6-13-78)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Community Services Act of 1974 (42 U.S.C. 2921 et seq.). Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-113). National School Lunch Act (42 U.S.C. 1751 et seq.). Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.). Older Americans Act of 1965 (42 U.S.C. 3045 et seq.). Act of August 24, 1935 (7 U.S.C. 612c). Agricultural Adjustment Act of 1949 (7 U.S.C. 1431). Economic Opportunity Act of 1964 (42 U.S.C. 2701 et seq.). Social Security Act of 1935 (42 U.S.C. 601 et seq.). Social Security Amendments of 1972 (P.L. 92-603, title III, 86 Stat. 1465). Economic Opportunity Act of 1964 (P.L. 88-452, 78 Stat. 508).

Thirteen major Federal domestic programs, costing several billion dollars annually, provide food or food-related assistance to needy Americans. The programs are administered by the Department of Agriculture; the Department of Health and Human services (HHS); and the Community Services Administration (CSA).

Findings/Conclusions: These programs have helped many people obtain more adequate diets. However, the large and accelerating costs of the programs, their piecemeal authorization and administration, and proposals for comprehensive welfare reform have created a need and opportunity to examine the programs' interrelationships and effectiveness. Multiple participation in the programs, which is sanctioned in legislation, has created a situation in which benefits often exceed amounts average American families of comparable size spend for food. In addition, food stamp allotments (the total value of food stamps a household could receive) alone covered 82 percent to 164 percent of the thrifty food plan diet. If adjustments to the allotments were made based on the ages and sexes of household members, about $570 million less in benefits would be paid out annually. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. If needed studies show that some program participants do not receive adequate benefits, their benefit levels could be increased by using the savings resulting from individualizing food stamp allotments and eliminating program overlaps. Problems also result from varying eligibility criteria and procedures, lack of a uniform definition of "needy," and inadequate program coordination. There is also a lack of adequate data to determine the proper level of benefits, interrelationships of the programs, and the nutritional effectiveness of the programs.

Recommendations: The Secretaries of Agriculture and HHS and the Director, CSA, should determine the extent of benefit overlaps and gaps among the programs; develop and carry out a way to measure Americans' nutritional status in order to evaluate the effectiveness of food assistance efforts; propose consistent income and asset eligibility requirements and procedures and study their effects on program participation, costs, and work incentives; establish demonstration projects to test procedures for individualized food stamp allotments; study the feasibility of considering benefits from one program when determining eligibility and benefits in other programs, and consolidating administrative aspects of certain programs at the local level; explore alternatives to food delivery systems in the women, infants, and children (WIC) program; make sure that persons in need of specific benefits from one program are referred to other programs; and study ways to encourage the exchange of information among local administrators to identify potential and ineligible recipients. The Congress should, on the basis of the executive branch's study, adopt a definition of "needy," establish consistent criteria and procedures to determine who is eligible for food assistance, eliminate duplicate benefits, and require a single State/local agency to be responsible for food program administration. The Congress should also approve a national policy on how much food assistance should be provided to needy Americans, consolidate Federal food programs, and authorize individualized food stamp allotments nationwide if they are shown to be administratively feasible.

Agency Comments/Action

Some preliminary action is being taken on some of the recommendations, but no action has been taken to (1) establish demonstration projects to evaluate increased costs resulting from individualized food stamp allotments, (2) study the administrative feasibility of considering food benefits from child-feeding programs when determining food stamp eligibility or benefits, and (3) explore alternatives to the WIC food delivery systems. Also, no action has been completed on the recommendations to Congress.

Appropriations

Food Stamp Program, Special Milk Program, child nutrition programs, special supplememtal food programs, Women, Infants and Children Program, and Food Donations Program - Department of Agriculture, Food and Nutrition Service

Supplemental Security Income Program and Assistance Payments Program - Department of Health and Human

Services, Social Security Administration
Human development services - Department of Health and Human Services, Human Development Services

Appropriations Committee Issues

When considering these programs' annual appropriation levels, the Committees should give consideration to the gaps and overlaps existing in these programs and to the possibility that individualizing food stamp benefits based on age and sex could result in more equitable distribution of benefits and/or lower costs.

VARIOUS DEPARTMENTS AND AGENCIES

COMMUNITY SERVICES ADMINISTRATION
DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR
CORPS OF ENGINEERS (CIVIL FUNCTION)

The Rural Energy Initiative Program for Small Hydropower--Is It Working?
(EMD-80-66, 4-1-80)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: Public Utility Regulatory Policies Act of 1978 (P.L. 95-617).

The Rural Energy Initiative (REI) Program goals are to develop and commercialize small-scale hydroelectric power. In May 1979, the President announced the REI Program with overall objectives of stimulating the development of and dispersed approach to local rural energy development and use. As an integral part of the Program, the administration announced an interagency agreement to bring together the technical assistance and engineering and financial resources of several agencies to develop small hydropower projects at existing dams in rural America. Although the administration's REI Program is an interagency effort intended to agressively pursue and accelerate the development of small hydropower, there has not been any significant progress. The basic framework for a sound and effective program is proper planning and management control.

Findings/Conclusions: Although an REI interagency agreement has been prepared, specific action plans and milestones have generally not been proposed for assuring that each agency's contribution will help achieve the overall Program objective. Further, the approach taken to identify sites duplicates current Federal efforts and requires energy projects to meet nonenergy criteria. In addition, applicants face multi-agency reviews which can deter expeditious development of projects. Considering these problems and the fact that only one project has been funded, it is doubtful whether the Program will meet its goal of having 100 projects under construction by the end of fiscal year 1981. Because of the seriousness of the Nation's energy problems, the administration should be pursuing and expediting hydropower development on its own merits as a energy resource.

Recommendations: Congress should direct the administration to carry out the intent of legislation establishing a small hydro loan program within the Department of Energy (DOE). It would seem appropriate that such a program should be assigned to the existing small hydro program currently in DOE.

Agency Comments/Action

With the exception of the Executive Office, all agency officials agreed with the thrust of the report. The Executive Office of the President believed that (1) the report does not acknowledge the many barriers and problems to hydro development, and (2) the REI effort is the best approach to getting small-hydro projects developed with minimal budget impacts. S. 932 now pending in Congress would, in effect, place the responsibility for small hydro development within DOE.

Appropriations

Resource applications - Department of Energy

Appropriations Committee Issues

The Committee should direct the Administration to carry out the intent of Public Utility Regulatory Act by establishing a small hydro loan program within DOE.

CORPS OF ENGINEERS (CIVIL FUNCTION)
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR
Geological Survey
Office of Water Research and Technology

Ground Water Overdrafting Must Be Controlled
(CED-80-96, 9-12-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)

The demand for water in many areas of the Nation is being met by overdrafting ground water, which is extracting more ground water than will be replenished over a long period of time. Overdrafting is not necessarily bad; however, if it is continued indefinitely, the resulting problems may ultimately affect the Nation's ability to meet ever-increasing demands for food and other agricultural products. Therefore, GAO undertook a review of the numerous problems associated with ground water overdrafting to determine the seriousness of the overdrafting problems in States and communities that have not implemented ground water controls.

Findings/Conclusions: In its review, GAO found that overdrafting is most serious in the arid and semiarid Western States where irrigation of crops accounts for over half of all ground water use. GAO found that several problems can result from overdrafting, such as: (1) land subsidence; (2) saltwater intrusion into freshwater aquifers; (3) reduced surface water flows; (4) increased energy consumption; and (5) disruption of social and economic activities. Some States, such as Colorado, New Mexico, and Florida, have generally succeeded in controlling overdraft of their underground aquifers. However, other States, such as California and Arizona, currently impose little, if any, control on the use of ground water; and both States suffer serious overdraft problems. Although the Federal Government only manages water resources on Federal lands, it has assisted States with overdraft problems by constructing multipurpose water development projects to replace or supplement ground water.

Recommendations: Congress should direct the Departments of the Interior, Agriculture, and the Army to require, before start of construction on any water resources or ground water depletion mitigation project, that the affected State or community implement, or have specific plans to implement, a program or some means for controlling ground water pumping and a water conservation program.

Appropriations

Planning - Department of Army, Corps of Engineers (Civil Functions)
Planning - Department of Agriculture, Soil Conservation Service
Planning - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

Because the Committees provide specific line item appropriations for water resources projects, they should direct Federal agencies to discourage uncontrolled ground water overdrafting.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF COMMERCE
DEPARTMENT OF THE INTERIOR
DEPARTMENT OF TRANSPORTATION
ENVIRONMENTAL PROTECTION AGENCY

American Seaports--Changes Affecting Operations and Development

(CED-80-8, 11-16-79)

Budget Function: Transportation: Water Transportation (0403)

In coping with dramatic changes in maritime transportation and cargo-handling techniques, America's seaports have incurred large, long-term debts; and many ports anticipate additional large capital expenditures to accommodate trade increases. A continuation of current trends will require even greater changes, deeper shipping channels and harbors, extensive capital expenditures, and shifts in traditional patterns of cargo movement, with greater emphasis on a few main ports. Many ports are having difficulty obtaining funds from traditional sources for continued development, and the question of whether the Federal government should have a role in this development has been raised. Legislation to provide funding has been considered but not enacted. Options for Congress to consider when evaluating the Federal role in seaport development were reviewed.

Findings/Conclusions: Modern cargo movement and handling techniques require fewer laborers but increasing amounts of capital. Several matters have affected attempts by ports to modernize. There has been a greater social awareness of the effect that port activities have on the environment and employee safety. Dredging costs have risen because of stricter standards concerning the disposal of dredging wastes. Employee safety and cargo security regulations have increased port costs. Ports have been experiencing greater difficulty obtaining local or State revenues or tax-supported bond issues for capital expenditures. Obtaining funds based on port income has been difficult because of the small profit margins on which many ports operate. Several options that Congress should consider when determining the role of the Federal Government in port development were noted. The Federal Government might continue to provide and maintain channels, harbors, and navigational aids and share the costs of port research and regional planning. A national plan for port development, including Federal underwriting of capital investments and Federal subsidies of operating deficits, might be adopted. Congress might decide to adopt a national plan for port development financed by a tax on port users patterned after the airport development program. Other options include Federal underwriting of ports' financial needs by guaranteeing loans, or Federal financing of federally mandated costs.

Appropriations

Department of Commerce
Department of Transportation
Corps of Engineers
Department of the Interior
Environmental Protection Agency

Appropriations Committee Issues

The Committees should consider what the Federal role regarding seaport development should be.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR

Hydropower--An Energy Source Whose Time Has Come Again
(EMD-80-30, 1-11-80)

Budget Function: Energy: Energy Supply (0271)

Legislative Authority: Energy Policy and Conservation Act (P.L. 95-617). Wild and Scenic Rivers Act (P.L. 90-542). Fish and Wildlife Coordination Act. Endangered Species Act of 1973. Public Utility Regulatory Policies Act of 1978 (P.L. 95-617).

There is an urgent need for the United States to develop its renewable energy resources and reduce its dependence on imported oil. One resource for which technology is available now is hydropower. The best prospects for the development of hydropower are at existing hydro sites where the dam structures are already built and the environmental impacts are few. Despite the administration's stated interest in small-hydro development, the Small-Hydro Program has moved slowly.

Findings/Conclusions: Although demonstrations were needed to measure constraints and show hydro viability, more than 2 years passed before demonstration grants were awarded. The program lacked clear direction and an adequate staff. Thus, potential hydro developers were not receiving needed assistance. GAO felt that an aggressive outreach program would give important impetus to the program. Efforts to clearly define how it planned to foster development have been contradictory. Although positive efforts have been made in streamlining licensing procedures for non-Federal dams, no similar actions were being taken to improve the approval process for adding power at existing Federal dams. The Federal Energy Regulatory Commission (FERC) has been indecisive about whether public or nonpublic entities had preference when competing licensing applications were submitted. GAO forsaw bottlenecks in handling the increasing volume of applications for licenses and permits. Additional factors hindering development included the inability of potential developers to find a market for their power and the limiting of the legal size of a project to 15 megawatts.

Recommendations: The Secretary of Energy should increase efforts to provide assistance, information, and guidance to prospective hydro developers through an outreach program using regional staff as appropriate; expedite the grant program for demonstration projects; and reassess the goals for hydro development. The Chairman of the FERC should rule on who has preference for competing relicensing applications; closely monitor the number of applications for hydro licenses and assign additional staff if the volume continues to increase; and seek statutory authority in dealing with interconnections to require that the Federal power marketing agencies and Rural Electric Cooperatives purchase the hydropower output when no other markets are available. The Director of the Office of Management and Budget should assess its position on the need for incentives to encourage small hydro development. The Director of the Water Resources Council should adopt the provisions in its update draft of principles and standards as enclosed in the May 24, 1979, Federal Register. These changes would require Federal hydro benefit-cost studies be done on a life cycle costing basis, thus putting renewable resource projects such as hydro in proper economic perspective in relation to nonrenewable resources. The Secretaries of the Interior and the Army should direct the Bureau of Reclamation and the Corps of Engineers to streamline their procedures for adding power at existing dams when such additions require no major structural changes and result in minimal environmental impact. The Congress should amend the National Energy Act by redefining a small-hydro project as one that could have up to 100, rather than 15, megawatts of capacity, thereby including several good sites that now exceed the limitation set in the present law.

Agency Comments/Action

The Department of the Army stated that the report is objective and thorough. FERC stated its general concurrence with the report's conclusions and recommendations. Further, FERC has acted on the GAO recommendation to rule on who has preference for competing licenses. The Department of the Interior stated that the report correctly describes the responsibility and involvement of Interior in the development of hydroelectric power and had no objection with the report's recommendation directing it to streamline its procedures relating to adding power at existing dams. TVA stated that it supports the basic philosophy of increasing power production from renewable resources where it is economically feasible. WRC has published its new principles and standards which incorporate GAO recommendations. DOE stated that many of the report's recommendations will be useful in accelerating the development of small-scale hydropower and, along with OMB, took exception to the recommendation concerning funding projects. Legislation is pending (S.932) which would, in effect, resolve this issue.

Appropriations

Resource applications - Department of Energy

Appropriations Committee Issues

The Committees should consider whether they want to appropriate funds for small scale hydro that have been appropriated under the Public Utility Policies Act of 1978.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTION)
DEPARTMENT OF THE INTERIOR

Contracts To Provide Space in Federal Reservoirs for Future Water Supplies Should Be More Flexible

(CED-80-78, 5-16-80)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Water Supply Act of 1958 (P.L. 85-500). Flood Control Act of 1970. P.L. 87-88.

As part of its ongoing effort to contribute to a better understanding of, and timely consideration of, ways to solve the key water problems facing the Nation, GAO reviewed Federal contracting procedures for municipal water supply storage at Federal reservoirs and the need to include cost estimates for transporting such water to the user's treatment facilities. The Water Supply Act of 1958 authorizes the expenditure of funds by the Army Corps of Engineers and the Department of the Interior's Water and Power Resources Service to include space in reservoirs for future municipal and industrial water supplies. These agencies must obtain reasonable assurance that the water supplies will be needed and that users will repay the Federal costs within the life of the project.

Findings/Conclusions: The Corps of Engineers provides future storage space with little assurance of community water use and repayment ability. Generally, it relies on nonbinding written assurances and contracts which do not require potential users to repay any of the costs until they start using the water supplies. The reliability of assurances is questionable because the Corps does not present the entire financial picture to the potential user. The Corps does not usually build conveyance facilities to transport water to the user, nor does it include estimates of conveyance costs in its design memorandums. These conveyance facilities can cost more than the Corps' initial construction of storage for future water supplies. The Water and Power Resources Service requires potential users to repay Federal costs for including water storage space even if they never use the water. This requirement exceeds the intent of the Water Supply Act of 1958. Such repayments could cause undue hardships on local communities if they fail to experience the growth anticipated when they signed the contracts. Both the Corps and the Resources Service contracts give potential users permanent and exclusive rights to the storage space. At several Resources Service reservoirs, option-type contracts are used. Potential users pay fees to reserve rights for water delivery but can terminate the contracts if they reduce their estimates of future water needs. The Resources Service can also terminate the contracts if it receives bona fide offers from other parties with earlier needs.

Recommendations: The Army Corps of Engineers and the Department of the Interior's Water and Power Resources Service should adopt option contracts which: (1) charge for the option to purchase water storage rights; (2) allow the agencies to cancel contracts of a bona fide water user, which has obtained or will obtain the rights to the water and requests the water before the option holder has started using it, and the option holder elects not to initiate immediate repayment; and (3) allow the option holder to terminate all or part of the contract if its water needs do not materialize as estimated. The Corps of Engineers' design memorandums should include estimated costs of conveyance facilities and information on whether the users can pay for them.

Agency Comments/Action

The Corps officials agreed with the GAO conclusions and recommendations. The Water and Power Resources Service acknowledged that its repayment policy exceeds the intent of the Water Supply Act of 1958. However, it believes contract requirements are in the best interests of the Federal Government because they assure repayment.

Appropriations

Operation and maintenance - Department of the Army, Corps of Engineers (Civil Function)
Operation and maintenance - Department of the Interior, Water and Power Resources Service

Appropriations Committee Issues

The Committees should assure that the Corps of Engineers and Water and Power Resources Service have implemented the recommendations of this report.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Increased Productivity Can Lead to Lower Costs at Federal Hydroelectric Plants

(FGMSD-79-15, 5-29-79)

Budget Function: General Government: Executive Direction and Management (0802)

Based on production cost data from the Federal Energy Regulatory Commission, a comparison was made of the operations of Federal and private sector hydroelectric power plants. As the basis of comparison, GAO selected 6 Federal systems, consisting of 95 plants, and 5 comparable private systems, consisting of 47 plants. The large Federal plants were not included because there were no comparable private plants. The review focused on plants operated by the Army Corps of Engineers and the Bureau of Reclamation.

Findings/Conclusions: Although operation and maintenance costs for individual plants varied considerably, production costs of the private plants were less than those of Federal systems; $2.72 per kilowatt-hour versus $3.29 per kilowatt-hour, based on plant capacity. Based on 1973 to 1975 data, the Federal hydroelectric systems had about 48 percent more employees per plant than private systems. Assuming that Federal plants could have operated with comparable staffing levels, the Government plants would have needed 447 fewer employees. Delays in the design or installation of automation and remote control in 17 Corps and Bureau projects have prevented the Government from saving potentially $1.5 million. Close control of maintenance costs can also yield savings at hydroelectric plants. Neither the Corps nor the Bureau has a uniform maintenance management information system that allows managers to evaluate maintenance performance effectively.

Recommendations: The Secretaries of the Army and the Interior should direct the Corps of Engineers and the Bureau of Reclamation to complete the automation and conversion to remote control of those hydroelectric plants where such changes have been evaluated and are both feasible and cost effective. Budget justifications for automated and remote controlled projects should be evaluated where feasible. Uniform maintenance management information systems for use by all organizational levels in operating and maintaining hydroelectric plants should be established. The operation and maintenance costs of hydroelectric power plants should be evaluated, taking into consideration the staffing disparity between the public and private sectors. Further, consideration should be given to reassigning or retraining personnel and eliminating personnel through attrition in plants that are automated or remote controlled. Also, the validity of cost allocations for the current joint activity (for example, flood control and recreation) needs to be assessed.

Agency Comments/Action

In response to the report, the Corps of Engineers and the Bureau of Reclamation advised that they were implementing the recommendations in the report and that they essentially concurred with its findings, conclusion, and recommendations.

Appropriations

Department of the Interior, Bureau of Reclamation
Corps of Engineers (Civil Functions)

Appropriations Committee Issues

The Committees should assure that the Corps of Engineers and the Bureau of Reclamation have implemented the recommendations of this report.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation
DEPARTMENT OF AGRICULTURE
Forest Service
Soil Conservation Service
FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING, AND TECHNOLOGY

Improving the Safety of Our Nation's Dams--Progress and Issues
(CED-79-30, 3-8-79)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: National Dam Inspection Act (P.L. 92-367). Reclamation Safety of Dams Act of 1978 (P.L. 95-578). P.L. 95-96. S. Rept. 95-830. S. Rept. 95-834. S. 1253. S. 1254.

The Corps of Engineers inspected about 1,800 non-Federal dams during 1978 in an effort to discover potentially hazardous conditions that threaten dam safety. Many deficiencies were noted, and remedial measures were recommended to dam owners and States. There is a need to improve the nation's Federal dams, and guidelines are being developed to help coordinate the dam safety efforts of Federal agencies.

Findings/Conclusions: The key safety issues to be resolved concern non-Federal dams. The cooperation of dam owners and willingness of the States to continue efforts begun by the Corps non-Federal dam inspection program are needed; however, many dam owners lack the financial resources, willingness, or understanding to take recommended remedial measures and the States do not have legislative authority, funds, or trained personnel to conduct their own programs. The study of five selected States showed that, although some States have improved their programs, many of the improvements, such as hiring additional personnel and providing training, are dependent upon financing by the Corps of Engineers and may not continue when the financial assistance program ends in 1981.

Recommendations: The Secretary of the Army should direct the Chief, Corps of Engineers, to: collect and analyze sufficient information to determine an appropriate long-term Federal role in non-Federal dam safety and make that information available to the Congress; monitor on a continuing basis State and dam owner actions to increase non-Federal dam safety; and verify and update the 1975 inventory of non-Federal dams after clarifying definitions of hazard categories. The Secretary of the Interior should direct the Commissioner of Reclamation and the Secretary of the Army should direct the Chief of Engineers to incorporate in agency regulations those existing policies intended to increase dam safety. The Federal dam safety guidelines may benefit the States in many respects, and the Chairman of the Federal Coordinating Council for Science, Engineering, and Technology should furnish approved Federal dam safety guidelines to State governments for use as a model for non-Federal dam safety. Congress should direct the Corps of Engineers to propose legislation defining an appropriate long-term Federal role in non-Federal dam safety. This would include a logical extension of the dam inspection program and would provide a method to gather the information needed so that Congress may consider a national dam safety program.

Agency Comments/Action

Agencies generally agreed and are taking actions to implement the recommendations.

Appropriations

Operation and maintenance - Corps of Engineers (Civil Function)
Operation and maintenance - Department of Interior, Water and Power Resource Service

Appropriations Committee Issues

The adequacy of the corrective actions by the agencies should be considered when reviewing appropriation requests for Federal water resource projects.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY

Colorado River Basin Water Problems: How To Reduce Their Impact

(CED-79-11, 5-4-79)

Budget Function: Natural Resources and Environment: Water Resources (0301)
Legislative Authority: Boulder Canyon Project Act (43 U.S.C. 617). Clean Water Act of 1977 (P.L. 95-217). Colorado River Basin Project Act (43 U.S.C. 1501; P.L. 90-537; 82 Stat. 885). Colorado River Basin Salinity Control Act (43 U.S.C. 1571; P.L. 93-320). Colorado River Compact Act. Colorado River Storage Project Act (43 U.S.C. 620). Federal Water Pollution Control Act Amendments of 1972 (33 U.S.C 1251; P.L. 92-500). Upper Colorado River Basin Compact. Arizona v. California, 373 U.S. 546 (1963). Arizona v. California, 376 U.S. 340 (1964).

Unless Federal, State, and local governments begin to work together, the Colorado River Basin, an area embracing parts of seven Southwestern States, will not be able to cope with a probable water shortage soon after the year 2000.

Findings/Conclusions: Considerable disagreement exists among concerned officials, engineers, and researchers about future annual river flows, while questions on the severity and timing of the water shortage remain unanswered. Most plans and programs of the Bureau of Reclamation appear to be based on optimistic estimates of the annual water supply. Programs for water salvage and augmentation have been canceled or have had limited success due to environmental consideration, while many conservation programs are failing because of legal and economic constraints. Indian and Federal reserved water rights have not been quantified or settled satisfactorily. Procedures for operating basin reservoirs during a shortage are incomplete because the basin States cannot agree on the approach to be taken or the necessity for agreement at this time. Long-term solutions that consider all alternatives will be impossible if the basin water managers wait until a shortage occurs. Much uncertainty exists about the effectiveness and efficiency of the basin's salinity control program. Due to a lack of pre-evaluation, the current project-by-project approach has led to water development which has greatly increased salinity.

Recommendations: Congress should establish a task force made up of the principal State and Federal executive agencies and the basin and water user representatives to study the problems and barriers involved in forming a central planning authority and to recommend the appropriate form of management and decisionmaking structure for the basin and the rules and regulations under which it will operate. Federal funding for construction of the upstream salinity control projects and the Yuma Desalting Complex should be deferred temporarily until the Bureau has considered other viable and/or less costly alternatives, balancing water resource development with salinity control to produce an effective and efficient basinwide program. The intent of legislation concerning the national obligation for drainage water replacement should be clarified. The Secretary of the Interior should direct the Bureau to develop: a series of water management plans, coordinated with all the basin's water managers, which reflect various supply estimates and present a number of alternative actions; and a comprehensive plan specifying the conservation, water salvage, and augmentation techniques that will be used to prevent or minimize the effects of shortages, identifying and suggesting solutions for factors that will interfere with plan implementation. The Secretary should amend reservoir operating criteria by stating the conditions under which he will declare a water supply shortage, the amounts to be released during a shortage, the storage levels to be maintained in low-flow years, and the amount of water each subbasin must provide for the Mexican water treaty commitment.

Aency Comments/Action

Interior generally agreed with GAO's recommendations but indicated that implementation of some recommendations may be delayed pending concurrence and cooperation of the Colorado River Basin States.

Appropriations

Planning - Corps of Engineers (Civil Functions); Department of the Interior, Water and Power Resource Service; Environmental Protection Agency

Appropriations Committee Issues

The Committees should ascertain the reasonableness of the Bureau's actions and plans for satisfying the concerns expressed in the GAO report.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

Premium Pay for Federal Inspectors at U.S. Ports of Entry
(GGD-74-91, 2-14-75)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: 19 U.S.C. 267. 8 U.S.C. 1353(a). 7 U.S.C. 2260. 42 U.S.C. 267.

The U.S. Customs Service, Department of the Treasury; Immigration and Naturalization Service, Department of Justice; the Animal and Plant Health Inspection Service, Department of Agriculture; and the Public Health Service, Department of Health, Education, and Welfare perform inspectional services at U.S. ports of entry. The premium pay laws and regulations of the four agencies contain different provisions for compensating inspectors. In addition, the amount of premium pay reimbursed to the Government by parties-in-interest (airlines, shipowners, etc.) varies among agencies.

Findings/Conclusions: As a result of the different premium pay laws and regulations, inspectors of different agencies working about the same number of overtime hours are paid for varying numbers of hours. Also, although the Government is reimbursed by parties-in-interest for most of the premium pay for Customs and Agriculture inspectors, the Government is not reimbursed for a large share of such pay for Public Health Service and Immigration inspectors.

Recommendations: Congress should enact one premium pay law to apply to the four agencies' inspection services at ports of entry. Also, Congress should enact legislation (1) establishing a uniform policy on charges to be made to parties-in-interest for inspections at ports of entry and (2) requiring the establishment of specific days and hours at each port of entry during which the full cost, including overhead, of inspections performed by any of the four agencies would be charged to the parties-in-interest.

Agency Comments/Action

All the agencies agreed on the need for uniform legislation but had varying views on how it could best be accomplished.

Appropriations

Department of Agriculture, Animal and Plant Inspection Service.
Preventive health services - Department of Health and Human Services, Center for Disease Control
Salaries and expenses - Department of Justice, Immigration and Naturalization Service
Salaries and expenses - Department of the Treasury, U.S. Customs Service

Appropriations Committee Issues

The Committees should consider whether premium pay for Federal inspectors at U.S. ports of entry is inequitable and whether there is a lack of uniform policy on charges made to parties-in-interest for inspectors at ports of entry. In this connection, a public law enacted on July 12, 1976, the Airport and Airway Development Act Amendments of 1976, affected the charges to parties-in-interest. This law provides that the cost of any required Federal inspection or quarantine service at airports of entry, or other places of inspection as a consequence of operation of aircraft performed during regularly established hours of service on Sundays and holidays, shall not be reimbursed by the owners or operators of such aircraft. Also, the new law prohibits administrative overhead costs associated with inspections at airports from being assessed against the parties-in-interest.

CONTENTS

Matters Affecting Appropriations of All or Most Federal Departments and Agencies . . . 1 1/A6

Departments

Agriculture . . . 27 1/C4
Commerce . . . 60 1/E9
Education . . . 76 1/F11
Energy . . . 84 1/G5
Health and Human Services . . . 128 2/C8
Housing and Urban Development . . . 181 2/G5
Justice . . . 192 3/A3
Labor . . . 207 3/B4
State . . . 224 3/C7
Interior . . . 227 3/C10
Treasury . . . 239 3/D8
Transportation . . . 251 3/E6

Agencies and Other Organizations

Administrative Conference of the United States . . . 276 3/G3
Administrative Office of the United States Courts . . . 277 3/G4
Architect of the Capitol . . . 278 3/G5
Corps of Engineers (Civil Functions) . . . 280 3/G7
District of Columbia Government . . . 281 3/G8
Environmental Protection Agency . . . 287 3/G14
Farm Credit Administration . . . 300 4/A14
Federal Communications Commission . . . 301 4/B1
Federal Emergency Management Agency . . . 302 4/B2
Federal Maritime Commission . . . 304 4/B4
General Services Administration . . . 305 4/B5
Government Printing Office . . . 316 4/C2
Interstate Commerce Commission . . . 317 4/C5
Legal Services Corporation . . . 322 4/C8
Library of Congress . . . 323 4/C9
National Aeronautics and Space Administration . . . 324 4/C10
National Transportation Safety Board . . . 326 4/C12
Office of Management and Budget . . . 327 4/C13
Office of Personnel Management . . . 334 4/D6
Securities and Exchange Commission . . . 351 4/E9
Small Business Administration . . . 353 4/E11
Tennessee Valley Authority . . . 361 4/F5
Veterans Administration . . . 362 4/F6

Matters Affecting Selected Departments and Agencies . . . 369 4/F13

Index to Departments, Agencies, and Other Organizations . . . 449 5/E10

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

More Can Be Done To Speed the Entry of International Travelers

(GGD-79-84, 8-30-79)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: Customs Procedural Reform and Simplification Act of 1978 (P.L. 95-410).

Travelers complain that they must wait for hours for inspection when entering the United States. The Department of Agriculture, Immigration and Naturalization Service, and U.S. Customs Service have agreed to adopt a "one-stop" inspection process, which should reduce delays in the time-consuming clearance process. In the one-stop system, one inspector carrying out the functions of all agencies would screen individuals to separate the few travelers requiring detailed inspection from the majority that do not.

Findings/Conclusions: The one-stop procedure will be more effective if inspection policies are changed so that passengers undergo primary inspections before they claim their baggage and their hand baggage is examined on a selective basis. The U.S. approach to one-stop inspection is based solely on the willingness of the agencies to cooperate; this has been a problem in the past. If lack of cooperation causes the current effort to implement one-stop inspections to fail, there are alternatives which should be considered.

Recommendations: Customs and Immigration should conduct primary inspections before travelers claim their checked baggage. Inspectors should selectivily inspect travelers and their possessions for agricultural products.

Agency Comments/Action

The Treasury and Customs maintain that citizen bypass and the one-stop method now being implemented can expedite the entry of travelers without weakening law enforcement, better than the system recommended by GAO. The basis of the Treasury and Customs' position is not supported by past studies or available current data.

Appropriations

Salaries and expenses - Department of the Treasury, U.S. Customs Service
Salaries and expenses - Department of Agriculture, Animal and Plant Health Inspection Service

Appropriations Committee Issues

The Customs Service should allow the primary inspection of international travelers before the travelers claim their checked baggage. The Animal and Plant Health Inspection Service should eliminate its policy of inspecting all hand-carried baggage.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR

Efforts To Control Fraud, Abuse, and Mismanagement in Domestic Food Assistance Programs: Progress Made--More Needed

(CED-80-33, 5-6-80)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.). Disaster Relief Act (42 U.S.C. 5179). Food Stamp Act of 1964 (7 U.S.C. 2014). 93 Stat. 391. 92 Stat. 3622. 93 Stat. 837.

The status of corrective actions taken on past GAO recommendations in 17 reports dealing with fraud, abuse, and mismanagement in several food assistance programs administered by the Department of Agriculture (USDA) are reviewed. Information on corrective actions was obtained through interviews with agency officials from USDA headquarters and some regional staffs, and by reference to other pertinent sources. Fieldwork was not performed to verify that the corrective actions had been effectively implemented. Although many improvements have been made, administrative and legislative correction is still lacking on some matters.

Findings/Conclusions: USDA has not implemented the recommendation that instructions be issued on how school lunches should be tested for compliance with requirements. GAO believes that appropriate congressional committees should consider intensifying their oversight of the National School Lunch Program until the problem is corrected. Congressional revisions of the Summer Food Service Program for Children have resulted in substantial improvements in program integrity. However, GAO continues to be concerned in the areas of funding State and sponsor administrative costs, obtaining feeding sites with adequate facilities, and program monitoring. More improvements are needed in the Food Stamp Program in the areas of administrative adjudication, guidance on prosecutions, and information and monitoring. The GAO recommendations in this area should be reconsidered by Congress and USDA. Further action is needed regarding coupon-issuing agents not meeting accountability requirements. More oversight might help ensure that USDA and the Department of Labor give appropriate priority to improving work registration as a means of reducing the need for Food Stamp Program benefits. Nationwide regulations should be implemented as soon as practicable to implement the legislative changes intended to target food stamp disaster relief to those actually needing it.

Agency Comments/Action

Although USDA agreed with most of the material presented in the GAO draft report, it disputed certain statements and emphasized difficulties in carrying out certain recommendations. Labor generally concurred in the reports findings regarding the food stamp work registration activities.

Appropriations

Food stamp and Child nutrition programs - Department of Agriculture, Food and Nutrition Service
Grants to States for unemployment insurance and employment services - Department of Labor, U.S. Employment Service

Appropriations Committee Issues

Continuing committee oversight is needed to assure that school lunch meal component inadequacies are corrected and that Agriculture and Labor give priority to improving food stamp work requirement activities as a means to reduce the need for food stamp benefits.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR

Food Stamp Work Requirements: Ineffective Paperwork or Effective Tool?

(CED-78-60, 4-24-78)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (P.L. 95-1130). Social Security Act (42 U.S.C. 602). Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)). P.L. 91-671 (84 Stat. 2049).

Since 1971, able-bodied adults who receive food stamps and are not exempted by law have been required to register for and accept employment. These requirements were intended to affect the program in two ways: by finding recipients jobs so that they would no longer need assistance and by denying stamps to those who are able but unwilling to work.

Findings/Conclusions: The food stamp program's work registration requirements have not achieved the intended results. A selection of 1,061 cases from applications approved during January 1976 found 620 recipients who were required to register for work. Of the 620, only 3 obtained jobs and only 233 were registered at local employment offices. The remaining 384 recipients were not registered because: food stamp offices failed to have them fill out work registration forms, food stamp offices had not sent the completed forms to employment service offices, employment service offices had not distributed the forms to appropriate local offices, and forms had not reached the local employment service offices for various other reasons. Present procedures for evaluating work registration activities are not adequate because: they do not provide information on the percentage of recipients who have not registered, or indicate whether the employment offices are receiving work registration forms and using them.

Recommendations: The Secretaries of Agriculture and Labor should require: better information to be gathered on the effectiveness of the food stamp work requirements; closer monitoring of State and local activities implementing these requirements; and stronger action to correct identified problems, including finding out why required procedures are not being followed and what can be done to insure that they are followed.

Agency Comments/Action

Although Agriculture and Labor agreed to take steps to improve administration of the food stamp work requirements, little has been accomplished. New regulations were recently proposed concerning the work registration/job search revisions in the Food Stamp Act of 1977.

Appropriations

Food Stamp Program - Department of Agriculture, Food and Nutrition Service
Grants to States for unemployment insurance and employment services - Department of Labor, Employment and Training Administration

Appropriations Committee Issues

Because the work requirements are designed to reduce the need for program benefits, the Committees should inquire into Department efforts to improve their effectiveness.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE

Economics, Statistics, and Cooperatives Service

DEPARTMENT OF LABOR

What Causes Food Prices to Rise? What Can Be Done About It?

(CED-78-170, 9-8-78)

Budget Function: Agriculture: Agricultural Research and Services (0352)
Legislative Authority: Agricultural Act of 1970 (84 Stat. 1358). Agriculture and Consumer Protection Act of 1973 (87 Stat. 221). Food and Agriculture Act of 1977 (P.L. 95-113; 93 Stat. 913). Agricultural Marketing Agreement Act of 1937 (7 U.S.C. 601). Farmer-to-Consumer Direct Marketing Act of 1976. Interstate Commerce Act. Fair Packaging and Labeling Act. Federal Food, Drug, and Cosmetic Act. P.L. 94-463. 90 Stat. 1982. 49 U.S.C. 303(b). 15 U.S.C. 1451. 21 U.S.C. 301. 29 C.F.R. 1910.

According to the Bureau of Labor Statistics (BLS), food price levels increased 57 percent from the beginning of 1970 through 1976, including a 31 percent increase in 1973 and 1974. The Consumer Price Index shows that over the last 50 years food prices have been susceptible to wider fluctuations than the prices of other goods. Farm prices and food prices are generally generated in two different markets, the market for raw agricultural commodities and the market for finished food products.

Findings/Conclusions: Farm prices of raw agricultural commodities are influenced largely by such unpredictable natural forces as the weather, pests, and crop disease. Farm and food prices are influenced by other factors that affect supply, such as Federal programs for cropland set-aside, commodity disposal, export sales, and marketing orders; production costs; and the length of the production cycle. Higher marketing charges accounted for 87 percent of the increase in consumer expenditures since 1973. The largest food marketing cost is labor. There are four principal reasons why food prices do not always decline when the farmer receives less for the raw commodity: (1) a drop in farm value may have little or no impact on the retail price when the farm value is a small percentage of a product's price, (2) a decrease in farm value may be offset by increases in the cost of marketing, transporting, assembling, and wholesaling, (3) retail pricing methods are based on factors other than product cost, and (4) food chains may not pass on price drops to the consumer. Several problems relating to the collection, analysis, and presentation of food price statistics published by the Federal Government have limited the statistics' reliability and usefulness.

Recommendations: If Congress establishes a permanent Bureau of Agricultural Statistics or National Commission on Food Production, Processing, Marketing, and Pricing, it should provide the agency with the authority to assure access to food industry records and provide for adequate safeguards to protect confidential records. The Congress should direct BLS to institute a retail collection program which would allow BLS to publish nationwide average retail prices for individual commodities and allow the Department of Agriculture to resume publishing farm value-retail price spreads. The Secretary of Agriculture should direct the Department to make certain changes in its food price statistics.

Agency Comments/Action

The Department of Agriculture said the report recommends actions which, if taken, would contribute significantly to improving its ability to monitor and report the relevant indicators of food price changes on a timely basis. BLS and the Office of Management and Budget did not see any reason to change the present method of collecting, analyzing, and presenting food price statistics.

Appropriations

Salaries and expenses - Department of Agriculture, Economics and Statistics Service
Salaries and expenses - Department of Labor, Bureau of Labor Statistics

Appropriations Committee Issues

Several problems limit the reliability and usefulness of Federal published food price statistics. Food price statistics have long been of interest to the farmers, consumers, industry, Congress, and the executive branch. They have been widely used as indicators of the performance of the food production and marketing industries and of consumer spending for food. The Committees should inquire into the Departments' efforts to increase their statistics' reliability and usefulness.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET

Effect of the Department of Labor's Resource Allocation Formula on Efforts To Place Food Stamp Recipients in Jobs

(CED-79-79, 8-15-79)

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604)
Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.). Food Stamp Act of 1977 (91 Stat. 958). Wagner-Peyser Act of 1933 (29 U.S.C. 49). Federal Unemployment Tax Act (26 U.S.C. 3301 et seq.). Comprehensive Employment and Training Act (29 U.S.C. 801 et seq.).

In response to a request, GAO studied the likely impact of the Department of Labor's resource allocation formula on efforts by State employment service agencies to place food stamp recipients in jobs. Labor used the resource allocation formula to distribute Federal funds to State employment agencies based on their relative funding needs and day-to-day performance. A new allocation system was being developed for use starting in fiscal year 1980.

Findings/Conclusions: The formula's effect on State agencies' efforts to place food stamp recipients in jobs was not clear. However, the following aspects of employment service operations and funding arrangements could have discouraged such efforts: (1) the formula's basic design encouraged efforts to place in jobs those persons easiest to place, (2) the formula did not contain an explicit incentive for placing food stamp recipients in jobs, and (3) administering the food stamp work requirement was not a major employment service activity. The Congress and the executive branch will need to decide on a special preference for food stamp recipients. Labor gets $28 million a year from the Department of Agriculture for food stamp work registration activities, but the services these funds are to cover are not clearly defined.

Recommendations: The Director of the Office of Management and Budget should take the lead in completing an agreement between the Departments of Labor and Agriculture for effectively administering the food stamp work requirements. The agreement should include specific descriptions of the services that are unique to food stamp recipients and are to be paid for by the funds Agriculture transfers to Labor, and the amount to be transferred should be based on the estimated cost of such services.

Agency Comments/Action

The Departments of Agriculture and Labor are moving slowly to implement the revised food stamp requirements. The Departments have not completed the new interagency agreement for administration of the work registration requirements. However, regulations on work requirements were recently proposed and Agriculture has requested increased funding for administering food stamp work requirements.

Appropriations

Food Stamp Program and food program administration - Department of Agriculture, Food and Nutrition Service

Appropriations Committee Issues

The Committees should inquire into the delay in implementing the work registration and job search provisions of the 1977 Food Stamp Act.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
Forest Service
DEPARTMENT OF THE INTERIOR
Bureau of Land Management

Changes in Public Land Management Required To Achieve Congressional Expectations

(CED-80-82A, 7-16-80)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1600 et seq.). National Forest Management Act of 1976. Land Policy and Management Act (43 U.S.C. 1701). Wilderness Act. Mining Resources Act. H.R. 6257 (96th Cong.). 16 U.S.C. 559.

Public lands comprising approximately 600 million acres primarily in the Western States and Alaska contain significant quantities of natural resources and values essential to the national economy, growth, and quality of life including: energy and nonenergy minerals; timber; grazing forage for livestock; outdoor recreation; wilderness; fish and wildlife habitat; water and watersheds; scenic beauty; and historic and cultural sites and artifacts. Sharing the responsibility for managing the public lands are the Bureau of Land Management (BLM), which administers about 417 million acres, and the Forest Service, which administers about 187 million acres. Fundamental public land management policies and procedures have been prescribed by three comprehensive statutes wherein a common and challenging goal has been set for BLM and the Forest Service to manage these lands and associated resource values in a manner which best meets the present and future needs of the American people. This requires balancing the three competing and usually conflicting basic objectives: using and developing resources, protecting and conserving resources, and maintaining the quality of the environment. It also requires ensuring appropriate balance and diversity among resource uses. Both agencies are required to plan for and manage their lands according to the multiple-use/sustained yield principle.

Findings/Conclusions: Both agencies are having difficulty achieving the congressional expectations of producing the natural resources the Nation needs, while protecting the environment and conserving sufficient resources for the future. Production goals must account for limitations resulting from wilderness studies, environmental protection laws and programs, and lawsuits and administrative appeals. Because these events are usually unforeseen and are reflected in long-range goals, it is important for agencies to set annual goals reflecting such events as they occur. BLM does not have, nor is it legislatively required to have, long-range programs and quantified production goals for renewable resources. Consequently, it has no realistic basis for determining the production levels necessary to meet its share of the Nation's needs. The Forest Service is required to assess the Nation's public and private renewable resources and to develop a long-range program and goals for its lands. Many existing plans are inadequate because they are based on incomplete or obsolete resource inventory data or do not identify specific actions required to meet production goals while achieving environmental protection objectives. Under both agencies, natural resources have been damaged, stolen, and abused because of insufficient staffing and funding to protect them. Staff funds for both agencies have not kept pace with the number of responsibilities and tasks assigned to them. A continuing budgetary emphasis on certain resource management programs has hampered the balanced use and development of resources.

Recommendations: The Secretary of Agriculture should direct the Forest Service to place greater emphasis on conflicts, interactions, and trade-offs among potential resource uses in future assessment and program updates. The Secretaries of Agriculture and the Interior should direct the Forest Service and BLM to set yearly production goals during the annual program and budget process which reflect changes in production capabilities as they occur. The Secretary of the Interior should direct BLM to adopt a policy for all resources similar to its policy on timber of guaranteeing access to potential developers by obtaining easements and rights-of-way. The Secretaries should direct the Forest Service and BLM to develop staffing and funding needs necessary to regulate users of public lands and maintain facilities and resources, and present the needs to the Departments of Agriculture and the Interior for review and approval. Further, the Secretaries should direct BLM and the Forest Service to carefully monitor and evaluate management improvements which result from new workyear personnel ceilings after they have been in effect for a reasonable period, and aggressively seek higher ceilings from the Office of Management and Budget if, in their judgments, the new ceilings fail to provide BLM and the Forest Service sufficient staff to adequately carry out their assigned land management responsibilities. Congress should, in consultation with BLM, amend the Land Policy and Management Act to require a long-range renewable resource program development process for BLM. Congress should also revise the 1872 Mining Law in accordance with recommendations made in the GAO report of February 27, 1979; consider modifying section 393 of the Land Policy and Management Act to authorize BLM employees to ticket persons violating Federal resource protection laws; and enact legislation which authorizes the Forest Service to sell or, in some instances, give away small, scattered land holdings which are too costly or impractical to administer properly. Further, Congress should review BLM and Forest Service staffing and funding levels and provide for a more realistic balance between the agencies' responsibilities and capabilities by either reducing responsibilities or appropriating more funds.

Agency Comments/Action

No comments had been received as of the date that this report was prepared.

Appropriations

General and special funds - Department of the Interior, Bureau of Land Management
General and special funds - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Appropriations Committees should review the Bureau's and Service's staffing and funding levels and provide for a more realistic balance between the agencies' responsiblities and capabilities by either reducing responsiblities or appropriating more funds.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR

Federal Drive To Acquire Private Lands Should Be Reassessed

(CED-80-14, 12-14-79)

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302)
Legislative Authority: Federal Water Pollution Control Act Amendments of 1972. Hunting Stamp Tax Act (16 U.S.C. 718; 48 Stat. 451). Land and Water Conservation Fund Act of 1965. Migratory Bird Conservation Act. Wetlands Loan Extension Act of 1976. Wild and Scenic Rivers Act. Wilderness Act. Weeks Act (Protection of Watersheds). P.L. 88-606. B-114841 (1968).

Over one-third of all the land in the United States is owned by the Federal Government, with local and State governments holding a small but growing share. Federal agencies need to acquire private lands essential to achieving the objectives of parks, forests, wild and scenic rivers, preserves, recreation areas, wildlife refuges, and other national areas established by the Congress. A request was made for an examination of the policies and practices of the three Federal agencies with major land management and acquisition programs: the Forest Service under the Department of Agriculture, and the Fish and Wildlife Service and the National Park Service under the Department of the Interior.

Findings/Conclusions: The three agencies generally followed the practice of acquiring as much land as possible without regard to need and alternatives to purchase. Consequently, lands unessential to project objectives have been purchased, and often before planning how it was to be used and managed. Government acquisition of private lands for protection, preservation, and recreation is costly and usually prevents the land from being used for resource development, agriculture, and family dwellings. Furthermore, the cost of many projects has doubled, tripled, and even quadrupled from original estimates and authorizations. The Federal Government has no overall policy on how much land it should protect, own, and acquire. Alternatives to ownership could be used to protect land, such as easements, zoning, and other regulatory controls which have proven to be feasible and successful. The use of alternatives would reduce costs to the Federal Government, as well as reduce the loss of tax revenue to localities, allow residents to retain their homes, and keep agricultural land in production with the scenic values protected. While in some instances land must be purchased if they are essential to project objectives, these alternatives could be used where appropriate.

Recommendations: The Secretaries of the Departments of Agriculture and the Interior should jointly establish a policy for Federal protection and acquisition of land. The Secretaries should explore the various alternatives to land acquisition and provide policy guidance to land-managing agencies on when lands should be purchased or when alternatives should be used to preserve, protect, and manage national parks, forests, wildlife refuges, wild and scenic rivers, recreation areas, and others. Further, the Secretaries should evaluate the need to purchase additional lands in existing projects. The evaluation should include a detailed review of alternative ways to preserve and protect lands needed to achieve project objectives. At every new project, before private lands are acquired, project plans should be prepared which: identify specifically the land needed to meet project purposes and objectives; consider alternative land protection strategies; weigh the need for the land against the costs and impacts on private landowners and State and local governments; show close coordination with State and local governments and maximum reliance on their existing land use controls; and determine minor boundary changes which could save costs, facilitate management, or minimize bad effects. Congress should require the Secretaries of Agriculture and the Interior to report on the progress made in implementing the GAO recommendations. This should include a determination on the extent project plans for new and existing projects have been prepared which at least: evaluate the need to purchase lands essential to achieving project objectives; detail alternative ways to preserve and protect lands; and identify the impact on private landowners and others.

Agency Comments/Action

In the Departments' response, they stated that they had made significant progress over the past several years in the land acquisition planning process and that it is their intention to continue to work to improve the process and acquire only those lands needed for project purposes.

Appropriations

General and special funds - Department of the Interior, U.S. Fish and Wildlife Service, National Park Service
General and special funds - Department of Agriculture, Forest Service

Appropriations Committee Issues

The Appropriations Committees should review the funds appropriated to determine whether they could be reduced by using alternative ways to preserve and protect land rather than by land acquisition.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
Forest Service
DEPARTMENT OF TRANSPORTATION
Federal Highway Administration

Federal Interests Should Receive More Consideration Under the Forest Highway Program
(CED-77-130, 12-13-77)

Budget Function: Commerce and Transportation: Ground Transportation (0404)
Legislative Authority: Federal Aid Highway Act of 1970 (P.L. 91-605; 84 Stat. 1713; 84 Stat. 1737; 23 U.S.C. 101(a)). Federal Aid Road Act of 1916. Federal Highway Act of 1921. 23 U.S.C. 244(b). 23 U.S.C. 205(b). 23 C.F.R. 660 et seq.

The forest highway program, as currently administered by the Federal Highway Administration (FHWA) and the Forest Service, is not meeting the Forest Service's needs for managing the national forest resources.

Findings/Conclusions: Forest highways total about 22,000 miles and are of special Federal interest because they link the national forests to the Federal-aid highway system. The Congress, in establishing the forest highway program, expressed a special interest in providing access to Government-owned national resources as well as for the benefits of communities in or near national forest boundaries. Incremental administrative and legislative changes in the forest highway program between 1970 and 1977 have changed the program's focus from Federal control to State control and have lessened the Forest Service's input. As a result, forest highway funds were devoted to roads of primary importance to the States and had little or no relation to national forest transportation needs.

Recommendations: The Secretaries of Agriculture and Transportation should direct the FHWA and the Forest Service to jointly develop and issue specific criteria for selecting projects meriting forest highway funding and should jointly develop proposed legislation to permit those forest roads that were formerly considered forest highways to be eligible for funding under the forest highway program. The Surface Transportation Assistance Act of 1978, amended the definition of forest highways to permit the development of roads which connect forest development roads to other Federal-aid highways, whether or not such roads are on a Federal-aid system. The act also amended related definitions.

Agency Comments/Action

The FHWA and Forest Service have jointly developed project selection criteria which will result in assigning more weight or higher priority to those projects vital to the protection, development, management, and utilization of the national forests and their resources. These criteria will be issued in the form of joint regulations by the FHWA and the Forest Service.

Appropriations

Federal aid to highways - Department of Transportation, Federal Highway Administration; Department of Agriculture, Forest Service

Appropriations Committee Issues

Committee interest and concern are needed to assure the implementation of criteria for selecting projects that will meet national forest transportation needs.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF LABOR

Government Measures of Private-Sector Productivity: Users Recommend Changes

(FGMSD-80-45, 7-8-80)

Budget Function: General Government: Other General Government (0806)
Legislative Authority: National Productivity and Quality of Working Life Act of 1975. P.L. 38-426. P.L. 71-537.

The Bureau of Labor Statistics (BLS) publishes a wide range of measures of the private sector's productivity. These measures are used primarily for economic analysis and forecasting directed toward improving the economy. GAO studied the measures to determine, from a user's viewpoint, how they might be improved. Additionally, the National Academy of Sciences examined the Government's productivity measures. The Academy convened 14 economists and other experts to study possible technical and conceptual improvements to the measures, whereas GAO concentrated on the general needs of users.

Findings/Conclusions: GAO found that improvement in national productivity is needed to aid the fight against inflation, but improvement must start at the lowest level of the economy, the firm. One way the Federal Government could help improve national productivity would be to encourage firms to measure their own productivity and compare themselves to firms in similar industries. The current BLS industry measures are based on industry aggregates which are too general to be used by firms in improving productivity. Although a program to develop firm and interfirm productivity measures could require BLS to work directly with a large number of firms, BLS is not structured for such an undertaking. The Department of Commerce has initiated some firm-level productivity improvement programs in the past few years, which could be the foundation for a significant new national productivity improvement program. But, the cost-effectiveness of improvements to productivity measures is nearly impossible to determine. The net contributions of productivity measures to economic analysis is uncertain as the measures are generally used in conjunction with other economic information. Therefore, the cost-effectiveness of any single improvement to the measures is doubly difficult to determine. Also, GAO found that only labor measures are published because labor input is the only statistic considered accurate enough for productivity. Historically, labor productivity has been used in economic analyses and forecasts as a substitute for multi-factor productivity. However, the use of a substitute is not always exact enough.

Recommendations: The Secretary of Labor should direct BLS to: (1) use the improvement priorities expressed by users in the GAO study as one criterion for attaching priorities to the recommendations of the National Academy of Sciences' Panel to Review Productivity Statistics; (2) develop a plan for producing multifactor productivity measures for the major sectors of the economy, establish a feasible target date for publishing these measures, determine the associated resources required, and seek authority to carry out the plan; (3) publish additional public information on the interpretation and use of productivity measures; and (4) confer with the Department of Commerce to determine what technical expertise the Department of Commerce needs to develop a firm-level productivity improvement program, and at what costs. Also, the Secretary of Commerce should: (1) determine the costs and other resources needed to establish a firm-level productivity improvement program which would have measurement as an important component; and (2) if the program appears feasible, seek authority to implement it. Further, the Department of Commerce should confer with BLS to explore various approaches to such a program.

Agency Comments/Action

The Department of Labor concurred with the recommendations and is using the user-suggested measures as part of the criteria for their improvement activities. The Department has prepared a plan for examining the feasibility, scope, and costs for developing multifactor productivity measures, and plans to publish more information on the meaning and measurement of productivity. With regard to developing multifactor productivity measures, BLS has requested funds in its 1981 budget submission to Congress to implement its plan. The Department of Commerce agreed with the need for more and better productivity data for detailed industries and firms. However, it feels that the recomendation to foster and promote an interfirm measurement program in the private sector is too low of a priority at this time, particularly with the limited resources currently available. Commerce also expressed reservations concerning the Government's ability to deal with confidentiality problems associated with handling firms' operating data.

Appropriations

Economic and statistical analysis - Department of Commerce
Productivity and technology - Department of Labor, Bureau of Labor Statistics

Appropriations Committee Issues

In light of the long-term decline in private sector productivity, the Committees should encourage the Department of Commerce to reassess the low priority given to productivity measurement and improvement by individual firms. Many other countries have embarked on interfirm measurement programs as one source of productivity improvement.

VARIOUS DEPARTMENT AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY

Industrial Wastes: An Unexplored Source of Valuable Minerals

(EMD-80-45, 5-15-80)

Budget Function: Natural Resources and Environment (0300)
Legislative Authority: Resource Conservation and Recovery Act of 1976.

Industrial wastes often contain valuable metals and are often disposed of in ways that preclude the future recovery of mineral values. While Congress passed the Resource Conservation and Recovery Act of 1976 to improve the recovery of usable materials from waste, the executive branch has done little to enhance mineral recovery, especially from industrial wastes. GAO reviewed this situation to determine: (1) the extent to which mineral values are recovered from industrial wastestreams; (2) the potential for greater recovery; (3) impediments to further recovery; and (4) actions to be taken by the Federal Government to accelerate and increase mineral recovery.

Findings/Conclusions: Identification, evaluation, and promotion of resource recovery programs for all types of waste are required by the Act. However, little has taken place for industrial wastes for the following reasons: the Environmental Protection Agency (EPA) has received limited funding under the Act, and the appropriated funds have been largely directed toward hazardous waste regulation; information is lacking on the nature, location, and recoverable contents of industrial wastestreams; the Department of Commerce, which has critical responsibilities under the Act, has been unable to obtain funding; the interagency Resource Conservation Committee, established by the Act to evaluate resource recovery strategies, was not efffective; and agencies involved have conducted little research on recovering minerals from industrial wastes. Recently, EPA has initiated plans for a new interagency committee to coordinate resource recovery objectives. Because EPA is primarily a regulatory agency with its experience lying in environmental protection, GAO believed that EPA should remain the lead agency for resource recovery. However, GAO attributed the lack of progress toward the resource recovery objectives to assigning EPA responsibilities that could be more appropriately pursued elsewhere.

Recommendations: The Administrator of EPA should continue to pursue the establishment of the new interagency committee to coordinate executive branch actions toward legislated resource recovery objectives. EPA should increase its information collection activities, and encourage the collection and coordination of information by other member agencies to (1) obtain data on resource recovery opportunities, and (2) identify problem areas on which the Bureau of Mines should concentrate its research and development efforts. The Administrator also should see that the new interagency resource recovery committee include representatives from the Department of the Interior's Bureau of Mines, so that resource recovery can be effectively coordinated. Other agencies, such as the Department of the Treasury also should participate, while relevant issues, such as tax policy, are being considered. In addition, the Department of Commerce should be given the responsibility for analyzing potential new resource recovery activities, and suggesting actions to the committee for recommendation to Congress when appropriate. These analyses should identify those industrial sectors where the benefits of additional recovery could most effectively offset environmental compliance costs. The Secretary of Commerce should work with the Department of Justice to develop guidelines to industry, for the establishment of joint resource recovery ventures that will be compatible with the Department of Justice's antitrust concerns. The Secretary of the Interior should explore ways to enhance its industrial waste recovery research. Specifically, the Bureau of Mines should work closely with the Department of Commerce and EPA to support resource recovery activities and to seek assistance in the identification of recovery opportunities for technical research. The Bureau of Mines also needs to do more to assure the potential application of specific projects by demonstrating to industry, through pilot plants or other means, the economic worth of developed technologies.

Agency Comments/Action

EPA has recently embarked on a comprehensive industry studies program, which will include an examination of present industry resource recovery activities and assess recovery levels without government intervention. EPA is also promoting the inclusion of industrial waste as a qualifying material for a tax credit under the Energy Tax Act. EPA believed the report was too critical in light of the above actions, budget limitations, and priority work on hazardous wastes. The Interior said that the GAO recommendations were inappropriate because of their ongoing concern in industrial waste research, while Commerce believes that the overall conclusions are valid.

Appropriations

Solid waste management - Environmental Protection Agency

Appropriations Committee Issues

Congress will have to determine if increased Federal spending for resource recovery is presently appropriate. Without such funding, EPA, the Department of Commerce, and the Bureau of Mines will not be able to markedly enhance resource recovery.

DEPARTMENT OF DEFENSE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF MANAGEMENT AND BUDGET
VETERANS ADMINISTRATION

Federal Hospitals Could Improve Certain Cancer Treatment Capability by Sharing

(HRD-79-42, 2-7-79)

Budget Function: Health: Health Planning and Construction (0554)
Legislative Authority: Heart Disease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C 1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613.

The Departments of Defense (DOD) and Health and Human Services (HHS) and the Veterans Administration (VA) provide cancer care in the form of surgery, chemotherapy, and radiation therapy to eligible beneficiaries.

Findings/Conclusions: Radiation therapy is used in treating about 60 percent of eligible cancer patients. In 1977 there were 45 radiation therapy facilities in the Federal sector. Thirty-six of them did not meet the existing utilization standards of about 6,000 treatments per unit a year established by DOD and HHS. Some 8 of the 36 facilities provided less than half the treatments set forth in the standards. The VA established a utilization standard of about 2,850 treatments per year for a radiation therapy unit. In the United States, 23 geographic locations have a high potential for sharing Federal radiation therapy facilities. Facilities in 20 of these locations were underused, and at each of the locations there were also other Federal hospitals in the same geographic area that did not have the capability to provide radiation therapy.

Recommendations: The Secretaries of DOD and HHS and the Administrator, Veterans Affairs, should: (1) direct the Federal Health Resources Sharing Committee to include in its planned work on cancer treatment facilities, a comprehensive evaluation of the sharing opportunities at the 23 geographic locations and develop, if possible, a single radiation therapy utilization criteria for all Federal facilities; (2) share the radiation therapy capability at the locations determined by the Sharing Committee to have potential; (3) defer the acquisition of new or upgraded radiation therapy equipment until the sharing potential at the 23 geographic locations is fully evaluated; and (4) withdraw acquisition plans for radiation therapy equipment at locations where good quality radiation therapy can be provided through sharing with existing equipment. DOD should also: (1) determine the need for DOD policy guidance on cancer care and take steps to assure that both the policy and cancer treatment provided consistently reflect appropriate and up-to-date health care standards; and (2) assure that the Army, Navy, and Air Force make every effort to assign cancer treatment specialists to those medical centers considered to be cancer treatment facilities.

Agency Comments/Action

DOD, HHS, and VA agreed with the recommendations. A Cancer Treatment Facility Subcommittee established by the Federal Health Resources Sharing Committee continues to assess the sharing opportunities between the 73 Federal medical centers in the 23 geographical locations highlighted in this report. Efforts are continuing to develop a single radiation therapy utilization criteria for all Federal facilities.

Appropriations

Military construction - Army, Navy, Air Force
Operation and maintenance - Army, Navy, Air Force
Medical care - Department of Health and Human Services
Veterans Administration

Appropriations Committee Issues

Budget requests for new Federal radiation therapy capability should include justifications of the need for the capability in the context of both (1) expected ability to meet established utilization standards, and (2) the potential for sharing existing radiation therapy capability at facilities near to the one for which the new capability is planned.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF PERSONNEL MANAGEMENT
VETERANS ADMINISTRATION

Health Costs Can Be Reduced by Millions of Dollars if Federal Agencies Fully Carry Out GAO Recommendations
(HRD-80-6, 11-13-79)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Dependents' Medical Care Act (Military) (P.L. 84-569). Legislative Reorganization Act of 1970. Military Medical Benefits Amendments of 1966 (P.L. 89-614; 10 U.S.C. 1071 et seq.). National Health Planning and Resources Development Act of 1974. Social Security Act (42 U.S.C. 1395). P.L. 92-603. P.L. 95-292. B-164031 (1974).

Over the years, GAO has issued many reports on Federal and Federal/State health programs which contained recommendations to reduce program costs or control cost increases. The report is a study of all of the GAO cost control recommendations made between January 1, 1974, and December 31, 1978. It discusses Federal programs which directly provide health care services through the health delivery systems of the Department of Defense, the Department of Health, Education and Welfare (HEW), and the Veterans Administration. It also deals with Federal programs which pay for health care services for the aged, the disabled, the poor, and Federal military and civilian personnel and their dependents. In addition, the report discusses GAO cost-saving recommendations related to the grant and contract health programs of the HEW Public Health Service.

Findings/Conclusions: Millions of dollars have been saved by implementing GAO recommendations, and millions more could be saved if the Congress or the responsible agencies implement the other recommendations. The Congress and the agencies should act on all of the outstanding recommendations.

Agency Comments/Action

The responsible Federal agencies have taken many actions to implement the GAO recommendations, but a number of them have not yet been fully implemented. Also, many of the recommendations to Congress have not yet been enacted.

Appropriations

Health care services - Department of Health and Human Services
Health care services - Department of Defense
Health care services - Veterans Administration
Health care services - Office of Personnel Management

Appropriations Committee Issues

Implementation of the outstanding administrative and legislative recommendations highlighted in this report would save millions of dollars.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF STATE
OFFICE OF PERSONNEL MANAGEMENT

Cost-of-Living Adjustment Processes for Federal Annuities Need to be Changed

(FPCD-76-80, 7-27-76)

Budget Function: Income Security; Federal Employee Retirement and Disability (0602)
Legislative Authority: 5 U.S.C. 8340. 10 U.S.C. 1401. 22 U.S.C. 1121. P. L. 94-440.

By law, the annuities of Federal retirees and survivors under the various retirement systems are automatically adjusted semi-annually on March 1 and September 1 based on the percentage increase in the consumer price index during the preceding 6-month period ending December 31 and June 30, respectively. Annuity increases are applicable to all annuities payable on the effective date of the increase.

Findings/Conclusion: The cost-of-living adjustment processes for Federal retirement annuities have resulted in annuities increasing faster than Federal white-collar pay rates. The Federal annuity adjustment process is more liberal than that of non-Federal and other Federal income security programs. Also, existing law permits new retirees to benefit from increases in the cost-of-living that occur while they are still actively employed. This inflates the basic starting annuity, encourages valuable employees to retire, and escalates the cost of retirement. The policy of granting adjustments twice a year is inconsistent with the processes under other non-Federal and Federal pension systems. Also, to make civil service retirement more consistent with non-Federal practice, the amount of the increase should be limited to something less than the full percentage increase in the consumer price index.

Recommendations: Congress should make the annuity adjustment formula and related provisions of Federal retirement systems more equitable and more consistent with those of non-Federal and Federal pension programs by (1) enacting legislation providing for cost-of-living adjustments annually; (2) repealing the provisions that permit new retirees to receive higher starting annuities because of cost-of-living increases before their retirement and prorating their initial adjustments to reflect only cost-of-living increases after their date of retirement; and (3) limiting the adjustment to something less than the full percentage in the consumer price index.

Appropriations:

Salaries and expenses - Office of Personnel Management
Salaries and expenses - Department of Defense
Salaries and expenses - Department of State

Appropriations Committee Issues:

With double-digit inflation, cost-of-living adjustments are escalating retirement outlays and the already high unfunded liabilities of Federal retirement systems. The House and Senate 1981 Budget Resolution mandated a $1 billion reduction in outlays for Federal civilian and military retirement. Initially, this reduction was predicated on changing from twice-a-year to once-a-year annuity adjustments. A new policy of annual adjustments would reduce outlays, still fully protect annuitants' purchasing power, and be more consistent with the Social Security process and with the processes used for adjusting the pay of active Federal employees. A policy of prorating new retirees' adjustments to reflect cost-of-living increases after their date of retirement would also be less costly and more rational.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF THE INTERIOR
DEPARTMENT OF THE TREASURY
DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
GENERAL SERVICES ADMINISTRATION

Protection and Prompt Disposal Can Prevent Destruction of Excess Facilities in Alaska

(LCD-80-96, 9-12-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Alaska Native Claims Settlement Act. Federal Management Circular 73-5.

Federal agencies have not protected and maintained facilities which they have built on lands withdrawn from the public domain in Alaska and no longer need. Long delays in the disposal process and the lack of protection have allowed property improvements to suffer extensive deterioration and vandalism. The Bureau of Land Management (BLM) determines if the land is suitable for return to the public domain. If it has been changed substantially by improvements, BLM requests the General Services Administration (GSA) to dispose of the property. GAO reviewed five cases with improvements costing over $23 million.

Findings/Conclusions: Some deteriorated facilities have become safety and health hazards and continually project an image of Government waste. GAO found that the facilities had been extensively damaged by vandals and the elements. Untimely actions by the holding agencies and BLM delay the disposal of excess properties. Some agencies have abandoned properties before reporting them as excess, and others have taken years to decide whether properties not in use should be declared excess. BLM has not actively pursued the processing of property disposals, as their resources are allocated to the problems of conveying lands to native Alaskans and to the State of Alaska. GAO believes that a major factor contributing to delays in the disposal process is a lack of incentive to ensure timely action. BLM regulations do not require that disposals be completed within a specified time, and BLM is not responsible for protecting and maintaining property when delays occur. The cost of protecting excess properties may be prohibitive, unnecessary, and a burden on the holding agency. In such cases, the property should be destroyed according to regulations.

Recommendations: The Secretaries of Defense and Transportation should require their agencies in Alaska to determine the condition of current and future excess properties under their jurisdiction and comply with the Federal Property Management Regulations by protecting and maintaining properties pending transfer to another agency or disposal. They should destroy properties having no commercial value and properties where the estimated cost of continuing protection and maintenance will exceed the estimated proceeds from their sale. They should not abandon the properties. The Secretaries should promptly notify BLM when property will be excess. The Secretary of the Interior should require BLM to establish and follow a specified time schedule for determining whether excess property should be returned to the public domain or transferred to GSA for disposal.

Agency Comments/Action

Agencies had not commented formally on the findings and recommendations as of October 21, 1980. It is anticipated that agencies will submit written comments to the appropriate congressional committees, as required by law, before the end of the year.

Appropriations

Operation and maintenance - Army, Air Force
Operating expenses - Coast Guard
Management of land and resources - Department of the Interior
Facilities and equipment - Federal Aviation Administration

Appropriations Committee Issues

The Committees should monitor the actions taken by the agencies to insure (1) adequate protection of excess real property in Alaska, and (2) timely disposal of excess property.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
GENERAL SERVICES ADMINISTRATION

Fragmented Management Delays Centralized Federal Cataloging and Standardization of 5 Million Supply Items

(LCD-79-403, 3-15-79)

Budget Function: National Defense: Defense-related Activities (0054)
Legislative Authority: DOD Instruction 4120.19. H. Rept. 91-1718. Military Standard 965. 10 U.S.C. 2451.

The Federal cataloging, engineering standardization, item entry control, and item deletion programs used by Government agencies to manage required parts were reviewed. **Findings/Conclusions:** It has been nearly 30 years since the Federal Catalog System was created, yet congressional intent has not been fully achieved. Notable progress has been made, but duplication of supply items continues to hamper effective Government logistics. **Recommendations:** The appropriate Congressional Oversight Commitees must exert their influence over the Federal agencies to assure that a Government-wide perspective is given to program improvement plans. Before substantial new resource commitments are made, agencies should demonstrate that their remedies will effectively overcome the fundamental problems in cataloging and standardization. The Secretary of Defense should make the Joint Logistics Commanders of the military services members of the Defense Materials Specifications and Standards Board. The Secretary of Defense and Administrator of General Services should take the following actions: (1) work with industry to explore ways that designers can best learn about preferred items that may already be in the Government's supply system; (2) make clear to contractors that engineering standardization is a priority concern in Government procurements; (3) explore various incentive programs that could lead to greater parts standardization in Government weapon systems and related equipment; (4) assume a more definite role in parts control monitoring by involving Military Parts Control Advisory Groups in the earliest phase of equipment design; (5) modify the definition of a standard item so that it describes only those items governed by an existing Government specification; (6) monitor procurement activity performance to be sure that technical data, including true vendor and alternate manufacturers' part numbers, are obtained so that proper cataloging and item entry control can work; and (7) supplement current, automated item entry controls with manual reviews by experienced equipment or item technicians.

Agency Comments/Action

A Federal Catalog System Executive Level Steering Committee has been created by DOD and GSA. About 100 projects have been created to overcome the problems with the cataloging and standardization programs. DOD and GSA generally concur in the overall thrust of the report. Efforts have begun to implement our recommendations. However, GSA has stated that insufficient funding continues to inhibit full implementation of all recommendations.

Appropriations

Operation and maintenance - All military services
Operation and maintenance - General Services Administration, Federal Supply Service

Appropriations Committee Issues

DOD in the next five years will introduce over 40 new weapons systems, the largest number ever introduced in this tight timeframe. Thousands of decisions concerning the parts and assemblies needed to support these systems will be necessary. Therefore, timely improvement of the item entry control, cataloging, standardization, and item deletion programs are necessary. The Appropriation Committees should review the improvement programs proposed by the agencies and fund only those actions which will overcome the problems identified in the GAO report.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF EDUCATION
Rehabilitation Services Administration
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Social Security Administration

Rehabilitating Blind and Disabled Supplemental Security Income Recipients: Federal Role Needs Assessing
(HRD-79-5, 6-6-79)

Budget Function: Education, Training, Employment and Social Services: Training and Employment (0504)
Legislative Authority: Social Security Amendments of 1972 (P.L. 92-603). B-164031(4) (1976). The Rehabilitation, Comprehensive Services, and Developmental Disabilities Amendments of 1978 (P.L. 95-602).

The Social Security Amendments of 1972 authorized the use of Federal funds to pay for States' costs for vocational rehabilitation services for blind and disabled Supplemental Security Income recipients. Two agencies of the Department of Health, Education, and Welfare (HEW) manage the program. The Social Security Administration (SSA) is responsible for establishing policies on referring the blind and disabled to the States as well as evaluating program results. The Rehabilitation Services Administration (RSA) is responsible for carrying out the program and providing technical assistance to State rehabilitation agencies. State agencies select persons to be served, decide the type and extent of services to be provided, and report to the two HEW agencies. A sample of 544 cases from 14 State agencies in 8 States, which SSA has recorded as successful rehabilitations, was reviewed.

Findings/Conclusions: The analysis showed that Federal funds spent on the program in 13 of the 14 agencies greatly exceeded reduction in SSI payments. In 55 percent of the cases, no reductions were attributable to a beneficiary's increase in earned income. The program's management, divided between the two agencies, has not been effective. Although the SSA has, or has access to, data which could be used in conjunction with information developed by the RSA to measure savings in benefit payments, the agencies have not developed a system that can effectively use the information.

Recommendations: The Secretary of HEW should designate a single entity to oversee the Supplemental Security Income-Vocational Rehabilitation (SSI-VR) program management activities of the RSA and the SSA, and require the Commissioners of each agency to finalize an agreement identifying their responsibilities. After a management system has been established, HEW should monitor individual States' program effectiveness to: (1) evaluate the adequacy of Federal technical assistance, and (2) determine whether the program is the most cost-effective way to provide rehabilitation services to blind or disabled SSI recipients when the same services are available from State rehabilitation agencies through their basic vocational rehabilitation programs. The Congress should amend the legislation to establish, as a primary goal of the program, that savings in benefit payments exceed the Federal funds spent. In this regard, after HEW has provided sufficient data to reliably measure the program's effectiveness, if program savings do not meet or exceed Federal costs, the Congress should consider the following options: (1) eliminate the SSI-VR program and, instead, earmark funds under the basic rehabilitation program for eligible SSI persons, and (2) continue the SSI-VR program with funding levels for the States based on the demonstrated effectiveness of each State's program as measured by the extent that benefit payment reductions exceed Federal funds spent.

Appropriations

Supplemental Security Income - Department of Health and Human Services, Social Security Administration

Appropriations Committee Issues

Because of the apparent low success of the Supplemental Security Income-Vocational Rehabilitation Program in realizing savings in Supplemental Security Income payments, a serious question is raised concerning the continued advisability of the Federal Government providing 100 percent of the States' cost of a separate program for rehabilitation services which are available from the State rehabilitation agencies through their Basic Vocational Rehabilitation program.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Social Security Administration

Social Security Student Benefits for Postsecondary Students Should Be Discontinued
(HRD-79-108, 8-30-79)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Social Security Act.

A review was made of the student benefit program to see if it is an unnecessary burden upon the overall Social Security system, and thus upon taxpayers supporting the system. GAO also reviewed various Office of Education programs to see if they might provide student aid more equitably than the student benefit program does.

Findings/Conclusions: Payments to student beneficiaries are an unnecessary burden on Social Security's trust funds. Students are expected to cost the funds $2.2 billion during fiscal 1980, with estimates of greater costs in the future. The benefits paid have no relationship to cost of education and academic progress. The student benefit program contributes to other Federal education aid programs paying unneeded benefits. It gives many students more money than their school costs warrant, inequitably curtails benefits to other students, and deprives nonstudents.

Recommendations: The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to pay student benefits to the parents of high school students rather than to the students themselves. The Secretary should direct the Commissioners of Education and Social Security to revise the Social Security/Basic Grant computer matching procedure to verify Social Security benefits for all Basic Grant applications. Congress should enact an amendment to the Social Security Act which will discontinue student benefits for postsecondary students and take the necessary steps to assure that the Office of Education will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of these benefits.

Appropriations

Federal/old age/survivors/disability insurance trust funds

Appropriations Committee Issues

The Committees should take the necessary steps to assure that the Office of Education will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of Social Security student benefits for postsecondary students.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF LABOR

Slow Progress and Uncertain Energy Savings in Program To Weatherize Low-Income Households

(EMD-80-59, 5-15-80)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Economic Opportunity Act of 1964 (P.L. 88-452). Energy Conservation and Production Act (P.L. 94-385; 42 U.S.C. 6892). National Energy Conservation Policy Act (P.L. 95-619). Older American Community Service Employment Act (P.L. 93-29). OMB Circular A-102. H.R. 6136 (96th Cong.). H.R. 6619 (96th Cong.). S. 1725 (96th Cong.).

As required by Federal legislation, a review was undertaken of the Department of Energy's (DOE) weatherization assistance program and its covered activities during fiscal year 1978. Through fiscal year 1978, DOE and the Community Services Administration (CSA) administered nearly identical low-income weatherization programs. However, in fiscal year 1979, the CSA low-income weatherization program was not funded, and DOE was given full responsibility for weatherizing the homes of low-income persons to reduce high utility bills and conserve energy. The DOE program is administered on a decentralized basis through 10 regional offices. Moreover, grant funds are provided to the States which, in turn, redistribute the money to local administering agencies for program implementation.

Findings/Conclusions: Although the Low-Income Weatherization Program of DOE could go a long way toward conserving energy and reducing the utility bills of people least able to afford them, the Program has been hampered by: (1) a lack of procedures for selecting homes; (2) problems in obtaining sufficient labor; (3) a lack of emphasis on rental units; (4) legal limits on administrative expenses at the local level; and (5) inadequate financial management and program monitoring at the Federal, State, and local levels. Additionally, only about 96,000 homes, as opposed to the estimated 393,000 homes, were reported by DOE as weatherized through December 31, 1978; and even this figure is overstated because it includes homes weatherized under the CSA program.

Recommendations: The Secretary of Energy should: (1) implement program regulations that will require local agencies to select homes to be weatherized from priority lists, after considering both the magnitude of potential energy savings and the need to reach low-income people; (2) revise the progress reporting system to ensure that the total number of homes weatherized under DOE and CSA programs are identified and reported accurately; (3) instruct DOE regional offices, the States, and the local administering agencies to place more emphasis on providing program benefits to occupants of rental units; (4) closely monitor the adequacy of administrative funds and, if problems continue, ask Congress to relax the 10-percent limitation; (5) design a monitoring system to provide DOE with assurance that the States' monitoring of local agencies is adequate to identify and correct accounting, unallowable expenditures, reporting, and inventory problems; and (6) require the scope of annual Certified Public Accountants audits of local administering agencies to include work which will determine if financial management systems meet Federal requirements and if program expenditures are allowable. Additionally, the Secretaries of Energy and Labor should continue to monitor the labor situation and periodically assess the effectiveness of their efforts. Moreover, DOE should grant waivers permitting weatherization funds to pay for labor costs only after all reasonable efforts to obtain labor resources have been exhausted, and DOE determines that denial of a waiver will cause weatherization funds to remain idle.

Agency Comments/Action

DOE agreed with all the recommendations except for requiring local agencies to select homes considering both energy savings potential and the need to reach the low-income target population. It stated that its program has two goals--assisting low-income persons and conserving energy. The assistance provided is the installation of energy conserving measures which makes the dwelling more comfortable and energy-efficient. DOE believes the two goals are interrelated and the conservation goal should not be primary. GAO is not suggesting that the human welfare aspects of the program be ignored, nor does it imply that maximum energy savings should be the program's primary goal. However, it is suggesting that because one of the main purposes of the program is to conserve energy, DOE should develop criteria and procedures that will give some degree of emphasis to this goal in selecting homes to be weatherized.

Appropriations

Department of the Interior and related agencies

Appropriations Committee Issues

DOE must make a number of improvements in its management of the low-income weatherization program if the program is to have any impact on conserving energy and reducing utility bills of low income persons.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR
OFFICE OF MANAGEMENT AND BUDGET

Policy Needed To Guide Natural Gas Regulation on Federal Lands

(EMD-78-86, 6-15-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978 (43 U.S.C. 1801). Natural Gas Policy Act of 1978 (P.L. 95-621; 92 Stat. 3351). Department of Energy Organization Act (42 U.S.C. 7101). Natural Gas Act (15 U.S.C. 717). Outer Continental Shelf Lands Act (43 U.S.C. 1331). 30 C.F.R. 250.12(d)(1). 30 C.F.R. 250.35. 30 C.F.R. 250.33.

The management by the Department of the Interior of the exploration, development, and production of natural gas from Federal lands in the Outer Continental Shelf (OCS) was studied. The Gulf of Mexico was chosen for the study because this region, which supplies almost all of the natural gas obtained from OCS areas, supplies about 18 percent of the Nation's natural gas consumption.

Findings/Conclusions: The Department of Energy (DOE) and the Department of the Interior (DOI) have taken little or no action to develop an overall natural gas policy which states the role of natural gas in meeting the Nation's energy needs and the role that natural gas from the Federal domain is expected to play. The only Government requirement affecting the pace of exploration and development is the law which requires a lessee to produce economical quantities of natural gas within 5 years or relinquish his lease. There are no requirements controlling how rapidly the natural gas should be extracted. DOI could not gauge whether lessees in the Gulf of Mexico had been diligent with respect to the level of production that could be achieved with the facilities installed.

Recommendations: The Secretary of Energy should fulfill the requirement mandated by Congress to develop a policy which establishes the role of natural gas in meeting the Nation's energy needs. The policy should specifically address the role of natural gas from the Federal domain. The Secretary of Energy should establish and issue regulations in cooperation with the Secretary of the Interior and the Chairman of the Federal Energy Regulatory Commission to govern the diligence of lessees in the exploration, development, and production of natural gas on the Federal domain. The regulations should require that lessees who have not submitted a development plan by the end of the third year of the primary term must submit a statement on problems that have prevented its preparation, actions the lessee is taking to overcome the problems, and the estimated time needed to take the actions. The regulations should provide for application of currently authorized sanctions against lessees who fail to meet the diligence requirements, both during the primary term and afterwards. Finally, the Secretary of Energy should include a schedule for issuing the policy and regulations in his written statement to the House Committee on Government Operations and the Senate Committee on Governmental Affairs. The Secretary of the Interior should defer efforts to review additional Gulf of Mexico fields in order to identify opportunities to increase production until policy and implementing regulations for natural gas production have been established. The Secretary of the Interior should provide the Secretary of Energy full assistance in the implementation of the above suggestions to DOE. The Congress should not appropriate funds for the Geological Survey OCS Reservoir Shut-in/Diligence Program until the policy and regulations have been issued and the Survey's program has been justified. Congress also should repeal those portions of legislation which require the Government to establish, enforce, and report on production rates on Federal lands.

Agency Comments/Action

DOI continued to insist that the Geological Survey OCS Reservoir Shut-in/Diligence Program would someday prove useful. However, it did not provide any evidence not already considered and rebutted in the GAO report. The program is expensive and futile.

Appropriations

Federal lands - Department of Interior, United States Geological Survey

Appropriations Committee Issues

The Department of the Interior continues to contend that it needs to operate its duplicate program, but does not provide new justification for doing so. All justification was rebutted in the report.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF THE INTERIOR
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Domestic Aluminum Resources: Dilemmas of Development

(EMD-80-63, 7-17-80)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: National Science and Technology Policy, Organization, and Priorities Act of 1976. F.P.R. 1-9.107.

For about 90 years, aluminum has been produced in much the same way. Bauxite, the conventional aluminum ore, is refined into alumina. Alumina is then reduced in smelters to aluminum. This last stage, reducing alumina to aluminum, is particularly capital and energy intensive. Although large deposits of commercial grade bauxite are very common in many foreign countries, they are rare in the United States, which consumes about 30 percent of the world's aluminum. However, the United States has plentiful nonbauxitic sources of aluminum which might be developed to help reduce raw material imports and reduce the shift of aluminum production capacity overseas, if successfully addressed by research and development policies. GAO reviewed the Bureau of Mines' metallurgy research and development program for nonbauxitic aluminum resources to see if it met these needs.

Findings/Conclusions: From its review, GAO concluded that the Bureau of Mines' nonbauxitic research effort is fundamentally misdirected. First, it has been focusing on alumina production and ignoring the fact that the primary obstacles to the use of domestic aluminous resources are the rapidly rising energy and capital costs of aluminum smelting. Without some means of reducing the capital and energy costs of aluminum manufacturing in the United States, primary metal capacity will continue to shift off shore, eliminating any new demand for alumina. Second, nonbauxitic alumina processing technology presently preferred by the Bureau of Mines is not economically competitive with conventional bauxitic alumina technology and, due especially to escalating energy costs, the competitive gap is steadily widening. Third, the Bureau of Mines' program has persisted in trying to develop a nonproprietary technology, disregarding proprietary research of both the Department of Energy and the private sector. As a consequence, the most promising new technologies are receiving inadequate research support.

Recommendations: The Secretary of the Interior, through the Director of the Bureau of Mines, should: (1) refocus the Department's alumina and aluminum metallurgy research program to identify and assist development of those technologies which offer promise of substantially reducing the energy and capital costs of making primary aluminum; (2) recalculate the operating and capital costs for each of the six nonbauxitic alumina processes reviewed in the miniplant program and the pilot-plant feasibility study using proprietary company data, as well as explicit contingency and uncertainty funding allowances for each process; (3) conduct an analysis which specifies and evaluates technical unknowns of proprietary processes, and estimates the probable capital and operating cost implications for each process, for the purpose of identifying candidates meriting further research efforts; and (4) re-examine the economic feasibility of developing alumina from alunite, dawsonite, and clay/carbo-chlorination, using economic credits from the potential production of associated materials. Also, the Secretary of the Interior, through the Office of Minerals Policy Research and Analysis, should prepare a report which analyzes the aluminum industry's capacity shift off shore, and includes U.S. Government policy operations which could influence the development of domestic primary aluminum production capacity using nonbauxitic production aluminous resources. Finally, the Director of the Office of Science and Technology Policy (OSTP) should: (1) initiate a review of the alumina/aluminum research objectives and programs of the Departments of the Interior and Energy to assure compatibility of objectives and research support, particularly with regard to support of proprietary technologies; and (2) accept responsibility for a substantial program-design-and-coordination role implementing a joint aluminum research program, consistent with the need for developing new primary aluminum reduction technology, should this objective be considered desirable. Congress should: (1) refuse to consider, as premature, any requests for pilot-plant appropriations until the Secretary of the Interior publishes, in summary form, the essential comparative economic assessment of all public and proprietary nonbauxitic technology processes; and (2) direct the Office of Science and Technology Policy to review and coordinate the nonbauxitic alumina and aluminum research programs of the Departments of the Interior and Energy, to assure proper coordination and consistent Federal support for the most promising technical options.

Agency Comments/Action

The OSTP believed program coordination and planning could be better implemented through OSTP intervention in Bureau-level budget reviews by the Office of Management and Budget (OMB), rather than a special aluminum research program for two executive departments. The Department of the Interior: (1) believed alumina research should not be refocused until the miniplant program was completed; (2) said proprietary data necessary to compare operating, capital, and contingency costs of the six nonproprietary processes it evaluated with those industry claimed were efficient would not be forthcoming; (3) claimed the Alumina Miniplant Technical Audit Committee was already evaluating technical unknowns for each process reviewed and their contingency cost implication; (4) responded that the economic feasibility of developing alumina from alunite, dawsonite, and clay/carbo-chlorination, including economic credits from their coproducts, could not be determined without proprietary data; and (5) agreed on the need for an analysis of the aluminum industry's shift off shore and the role of public policy options influencing the development of domestic aluminum capacity.

Appropriations

Alumina metallurgy and miniplant programs - Department of the Interior; Bureau of Mines; Office of Minerals Research, Mineral Resources and Technology Division; Mineral Science and Technology Branch

Alumina metallurgy and miniplant programs - Department of Energy, Conservation and Solar Applications, Conservation Research and Development Branch, Alternative Materials Utilization Branch

Alumina metallurgy and miniplant programs - Executive Office of the President, Office of Science and Technology

Appropriations Committee Issues

Alumina and aluminum research in the Departments of Energy and the Interior should be coordinated for: (1) the development of domestic nonbauxitic resources; (2) the realization of energy conservation objectives; (3) the support of the best, most economical proprietary or nonproprietary nonbauxitic process; and (4) identifying what role R&D can play in reducing the shift of alumina and aluminum refining and smelting facilities off shore. Further alumina/aluminum metallurgy and conservation appropriations for the Departments of Energy and the Interior should be refused until their programs are effectively coordinated. Funds for OSTP policy to coordinate departmental alumina/aluminum research should be authorized.

DEPARTMENT OF ENERGY
DEPARTMENT OF THE TREASURY
ENVIRONMENTAL PROTECTION AGENCY
ECONOMIC REGULATORY ADMINISTRATION
FEDERAL ENERGY REGULATORY COMMISSION

Industrial Cogeneration--What It Is, How It Works, Its Potential

(EMD-80-7, 4-29-80)

Budget Function: Energy: Energy Conservation (0272)
Legislative Authority: Energy Tax Act of 1978. Federal Power Act. Natural Gas Policy Act of 1978. Powerplant and Industrial Fuel Use Act of 1978. Public Utility Holding Company Act. Public Utility Regulatory Policies Act of 1978 (P.L. 95-617).

The role that cogeneration can play in the Nation's efforts to conserve valuable energy resources was reviewed. The cogeneration of power and heat can be employed by both industry and utilities. Since these two sectors account for about half of the fuel consumed in the United States, their acceptance of this technology can assist in accomplishing the national goals of using fuels more efficiently and decreasing the use of imported fuels. To determine the possible effects of various levels of cogeneration on the Nation's energy system, GAO analyzed three scenarios for the paper and pulp, chemical, and petroleum refining industries.

Findings/Conclusions: Cogeneration systems and components must be selected for compatibility with the industrial processes which they complement, necessitating selection on a site-by-site basis. A coherent Federal policy consistent with State and regional interests should be developed to encourage coal and other alternate fuel use for cogeneration with a controlled shift away from oil and natural gas. However, a policy that permits oil and natural gas cogeneration in smaller facilities is particularly relevant for the short term. The policy should: seek to balance oil and natural gas savings with overall energy savings; recognize regional differences regarding fuel use and fuel availability and ensure regional equity in benefits and costs; be based upon reasonable expectations of cogeneration development; balance Federal expenditures for financial incentives in support of cogeneration and expected national benefits from cogeneration; and be based upon the need to get all interested parties, including utilities, industry, and Federal and State agencies, actively involved in the development of cogeneration. It would be reasonable to expect that, for the three industries evaluated, the equivalent of 228,000 to 354,000 barrels of crude oil per day would be saved in 1985. The maximum expectation of energy savings in the year 2000 would approximate the equivalent of 945,000 barrels of crude oil per day.

Recommendations: The Secretary of Energy should: establish a cogeneration policy and strategy as outlined in the report; specify oil and natural gas use goals within overall energy conservation goals for cogeneration by 1985, 1990, and 2000; and establish guidelines for monitoring oil and natural gas use goals for cogeneration. The Administrator of the Economic Regulatory Administration should: (1) establish a rule for industrial cogeneration facilities that will set a size limitation, in terms of a fuel input rate, on those facilities eligible for the cogeneration exemption; and (2) expand the cogeneration exemption, in accordance with the categories of user classes, to include those petitioners with large facilities that cannot use coal or other alternate fuels. The Commissioners of the Federal Energy Regulatory Commission should: (1) include, as part of their requirements for qualifying cogeneration facilities a provision which requires industrial cogenerators to provide a means for maintaining fuel-efficient operations to the greatest extent possible, particularly for those cogenerators who will obtain exemptions from the incremental natural gas pricing provision of the Natural Gas Policy Act of 1978; (2) ensure that the rules adopted to establish just and reasonable rates for the sale of power to, and the purchase of power from qualifying cogeneration facilities are fully implemented by State regulatory authorities and nonregulated electric utilities; (3) clarify the regulatory status of cogeneration facilities by adopting their proposed rules which define a qualifying cogeneration facility as one which is not composed of more than 50 percent electric utility ownership and by ensuring that the rules which exempt qualifying facilities from certain Federal and State laws and regulations are properly implemented: and (4) develop rules which specify, in terms of user classes, the exemption of qualifying cogeneration facilities from the incremental natural gas pricing provision. The Secretary of the Treasury should, in consultation with the Secretary of Energy: establish, for the short term, a regulation which specifies that cogeneration systems would not be eligible for the 10-percent investment tax credit under the provision for specially defined property in the Energy Tax Act of 1978; and assess the impact and benefits that any Government financial incentives may have on cogeneration development before any such incentives are established for the long term. The Secretary of Energy should designate one office to be responsible for overseeing cogeneration-related activities.

Agency Comments/Action

All agencies have not yet responded to the report.

Appropriations

Department of the Interior and related agencies
Department of the Treasury

Appropriations Committee Issues

The agencies should make a concerted effort to work together to overcome the constraints that cogeneration faces. To ensure that these efforts are achieved and successful, the Committees should be concerned with the necessary funding and staffing to develop and implement the rules and regulations to eliminate these constraints. Particular attention should be given to the staffing and funding for the Department of Energy and the Federal Energy Regulatory Commission.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
DEPARTMENT OF TRANSPORTATION

The Federal Government Should More Actively Promote Energy Conservation by Heavy Trucks

(EMD-80-40, 3-13-80)

Budget Function: Energy: Energy Conservation (0272)

Substantial energy savings are possible by improving the fuel efficiency of heavy trucks. Much has been done by industry to achieve savings; however, significant potential remains. The Federal Government can help maximize this potential through the Voluntary Truck and Bus Fuel Economy Program. This voluntary program was created to increase the awareness of conservation opportunities in the trucking industry and was founded on the basis that economic forces in the market place would drive voluntary conservation efforts.

Findings/Conclusions: The voluntary approach appears to be working. Within the trucking industry, carriers and manufacturers have sought ways to improve the fuel efficiency of trucks. Manufacturers have made equipment available. Many carriers have taken actions to cut their fuel consumption. As fuel prices rise and supplies tighten, the incentive to act is increased, but industry needs the information on which to base decisions concerning efficiency improvement.

Recommendations: The Secretaries of Energy and Transportation should promptly execute a new memorandum of understanding. The Department of Energy (DOE) should have a role which assures that the voluntary program achieves its full potential, consistent with overall energy policy goals and objectives. The Department of Transportation should maintain its existing role, utilizing the relationship that already exists between it and the trucking industry. The memorandum should include the relationship to the Environmental Protection Agency and the role that research and development, particularly near-term applied research, is to play in support of program goals. DOE should have this research and development responsibility. The Secretaries should commit adequate funding and personnel to the program to support the roles detailed in the memorandum and an adequate level of effort to achieve the full potential of the program. Further, the Secretary of Energy should direct that the program receive a higher priority to maximize its effectiveness and ensure, through the Federal Energy Management Program, that all Federal agencies purchasing or operating trucks are aware of the energy saving measures available.

Agency Comments/Action

Both agencies agreed with the recommendations. A new memorandum of understanding for joint operation of the program has been drafted. However, there is still some question as to whether the agences will provide adequate resources in a timely manner. Without more support, the program cannot achieve its potential.

Appropriations

Salaries and expenses - Department of Energy

Appropriations Committee Issues

GAO has reservations as to whether program objectives can be fully achieved with current levels of support.

DEPARTMENT OF ENERGY
TENNESSEE VALLEY AUTHORITY

How To Burn Coal Efficiently and Economically, and Meet Air Pollution Requirements--The Fluidized-Bed Combustion Process

(EMD-80-12, 11-9-79)

Budget Function: Energy: Energy Supply (0271)
Legislative Authority: National Energy Conservation Policy Act (P.L. 95-619). Powerplant and Industrial Fuel Use Act (P.L. 95-620).

The Nation has the potential to reduce its dependence on imported oil through a process known as fluidized-bed combustion. This is the process of burning coal in a mixture of air and limestone generating heat and electricity more efficiently and economically than conventional coal-fired boilers with pollution control equipment. The concept is sound, but its reliability under industrial and utility loads must be demonstrated.

Findings/Conclusions: The Department of Energy (DOE) could improve its program for demonstrating the reliability of the fluidized-bed combustion plants by pursuing some strategies complimentary to private industry participation. Industrial-size demonstration units could be placed in Department of Defense industrial plants where replacement units for old fossil fuel boilers are needed. DOE could also enter into an interagency agreement with the Tennessee Valley Authority for a demonstration plant, taking advantage of the past and ongoing research activities and skilled, experienced personnel at that organization. The merits of continuing the construction of a component test and integration unit should be reevaluated. Several other test facilities already exist. The data received may not be generated in time to affect designs of the utility projects. Finally, the boiler manufacturers, whose participation is essential, may not use the unit.

Recommendations: The Secretary, DOE, should: enter into an interagency agreement with the Department of Defense to place industrial demonstration plants in Defense's facilities; and enter into an interagency agreement with the Tennessee Valley Authority for hosting the 200-megawatt utility demonstration plant. In addition, the Secretary should reevaluate the costs and benefits of continuing its plans for the test facility, including options for terminating the contracts and selling or modifying the facility for other uses.

Agency Comments/Action

DOE has stopped all work on design and installation of equipment at the component test and integration unit construction site. In a building already constructed specifically for the facility, DOE now plans to install a significantly scaled-down test boiler. DOE estimates that the project will now only cost $37 million, which is $52.4 million less than the previous $89.4 million estimate. Also, DOE and TVA are actively pursuing the formulation of an interagency agreement whereby DOE would provide vital technical data needed to support the overall TVA fluidized bed program, which includes the operation of its demonstration plant. In regard to the recommendation that DOE enter into an interagency agreement with the Department of Defense (DOD) to place industrial demonstration plants in Defense industrial facilities, DOE has continued to maintain that DOE funding of fluidized-bed boilers for Defense plants is not appropriate. As a consequence, DOD has indicated that it may install such boilers in its industrial facilities without DOE funding assistance.

Appropriations

Operating expenses and capital acquisition - Department of Energy

Appropriations Committee Issues

The Secretary of Energy should reevaluate the costs and benefits of continuing its plans for the fluidized-bed test facility being constructed in Morgantown, West Virginia, including options for terminating the contracts and selling or modifying the facility for other purposes.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
National Institutes of Health
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ENVIRONMENTAL PROTECTION AGENCY
(HRD-79-3, 4-13-79)

Reducing Tooth Decay--More Emphasis on Fluoridation Needed

Budget Function: Health: Prevention and Control of Health Problems (0553)
Legislative Authority: Safe Drinking Water Act. Housing and Community Development Act.

A Federal research program on tooth decay prevention was started in 1971, but public officials cannot predict when the program will achieve a decrease in tooth decay. Tooth decay affects nearly every person in the United States and is a tremendous financial burden to the public and to the State and Federal governments.

Findings/Conclusions: Questionable research expenditures have been made to develop prevention techniques that do not have widespread applicability and to demonstrate methods that were already successfully marketed, such as the $2 million spent to demonstrate school-based mouthrinsing. When these demonstrations were begun, this technique was already known to be effective and had been commercially marketed in 40 States. Relatively little is being done to promote fluoridation, a proven decay prevention technique. Greater emphasis is needed to promote this cost-effective technique for reducing tooth decay. The Safe Drinking Water Act has been misinterpreted in some communities as prohibiting fluoridation. Environmental Protection Agency regulations implementing the Act are misleading in that fluoridation's dental health benefits are not prominently stated. The agency has agreed to amend the regulations.

Recommendations: The Secretary of Health, Education, and Welfare should direct the Director of the National Institutes of Health to develop criteria for undertaking National Caries Program demonstration projects and periodically, at least annually, reassess the potential public benefit of tooth decay prevention techniques being funded by the National Caries Program. The Secretary should require the Assistant Secretary for Health to: place greater emphasis on helping State and local public health agencies to promote fluoridation; determine whether the Public Health Service has the authority to provide specific financial assistance to fluoridate water supplies and, if such authority is lacking, request that Congress provide it; and increase efforts to educate the public about the decay prevention benefits of fluoridation and seek out other organizations that can help in these efforts. The Secretary of Housing and Urban Development should instruct regional officials to notify States and communities that the cost of fluoridation equipment can be included in water system improvement grants.

Agency Comments/Action

Program officials agreed with the GAO recommendations regarding fluoridation. Since the report was issued the Department of Health and Human Services (HHS)has initiated a fluoridation promotion program and, in fiscal year 1979, awarded 19 grants to states and three individual cities for water fluoridation and public awareness activities. Also, specific authority for HHS to award grants for community and school water fluoridation has been added under Section 317 of the Public Health Service Act. The Environmental Protection Agency has clarified its National Interim Primary Drinking Water Regulations by adding an acknowledgment of the benefits of fluoride in drinking water at optimum levels.

Appropriations

Department of Health and Human Services, National Institutes of Health, Center for Disease Control
Department of Labor
Department of Housing and Urban Development
Environmental Protection Agency

Appropriations Committee Issues

Congress should amend certain language in the Safe Drinking Water Act which discourages fluoridation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF JUSTICE

Federal Strategy Is Needed To Help Improve Medical and Dental Care in Prisons and Jails

(GGD-78-96, 12-22-78)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Public Health Service Act (P.L. 93-641). P.L. 95-355. 42 C.F.R. 124. 42 Fed. Reg. 62271. DOJ Order 777-78.

The health care delivery systems of most prisons and jails are inadequate because of deficiencies in assuring adequate levels of care, physical examinations, medical records, staffing, facilities, and equipment. Officials said that they lacked funds to make improvements. Should those needs continue to be underfunded, it is critical that ways to improve utilization of all available resources be examined.
Findings/Conclusions: Inmates' health needs can only be learned by giving them thorough physical examinations. Medical and dental records must be complete and confidential. Sufficient, qualified health staff should be available. Prisons and jails should meet national medical and dental care standards for the services they provide, or obtain these services in the community.
Recommendations: The Law Enforcement Assistance Administration (LEAA) should: (1) develop and implement a Federal strategy to help State and local governments bring their prison and jail health care delivery systems into compliance with standards promulgated by the American Correctional Association and the American Medical Association; and (2) incorporate into the Federal strategy the appropriate expertise and resources of the U.S. Public Health Service (PHS), National Institute of Corrections, and U.S. Marshals Service (to participate. State and local governments should be required to determine the medical and dental needs of their inmates and the proper mix of resources to meet those needs and implement whatever health care standards they can within their existing resources). PHS should: closely monitor its newly initiated Prison Health Program and, if successful, expand it within the Federal strategy; provide grants to help State and local correctional institutions bring their medical and dental facilities into compliance with existing standards, and explore the feasibility of utilizing other applicable assistance programs within the Federal strategy; and encourage State and local health planning agencies to participate in the Federal strategy and programming for community health improvements. The U.S. Marshals Service should assist in the Federal strategy by providing technical assistance and funding for improving medical and dental care at those contract facilities. To upgrade the level of health care in Federal institutions, the Bureau of Prisons should: reexamine its policy on physical examinations to include biennial examinations of all inmates about to be released; replace inmates working in sensitive positions, such as maintaining medical records, with qualified civilian personnel; and take appropriate actions to assure 24-hour coverage by qualified medical personnel at all institutions.

Agency Comments/Action

LEAA has expanded a program begun by the National Institute of Corrections to establish area resource centers which will address medical and dental needs of inmates, and another program for implementing standards on medical and dental programs. The American Medical Association has recommended that a Presidential Commission develop the kind of strategy GAO recommended. The PHS is monitoring its Prison Health Program and plans to expand it if successful. The Bureau of Prisons is in the process of implementing the recommendations.

Appropriations

Salaries and expenses - Department of Justice, Bureau of Prisons and Law Enforcement Administration
Salaries and expenses - Department of Health and Human Services, Public Health Service

Appropriations Committee Issues

Congress should monitor the development of the Federal strategy to address the health care needs of prison and jail inmates because of the potential need for Federally-funded assistance to correctional agencies in order to implement that strategy.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR

Correctional Institutions Can Do More To Improve the Employability of Offenders

(GGD-79-13, 2-6-79)

Budget Function: Administration of Justice: Federal Correctional Activities (0753)
Legislative Authority: Privacy Act of 1974. Vocational Educational Act of 1963, as amended. Education Amendments of 1976, title III. Comprehensive Employment and Training Act of 1973. Elementary and Secondary Education Act of 1965, as amended. Higher Education Act of 1965, as amended. Adult Education Act of 1966. Library Services and Construction Act.

The inadequacies in education and training programs in Federal and State correctional institutions for improving the employability of offenders has caused much concern. Most offenders are not prepared to obtain and maintain legitimate employment. They need basic education, marketable vocational skills, social skills, and placement assistance.
Findings/Conclusions: The opportunities for offenders to improve their legitimate employment prospects while in correctional institutions are limited. Classification, assignment, counseling, and guidance services neither identify offenders' needs and interests nor encourage participation in appropriate programs. Academic education, occupational training, and work assignments do not prepare offenders for employment. Transitional programs do not receive enough attention and education and training programs have not been fully evaluated. Management information systems do not effectively keep track of offenders and system performance.
Recommendations: The Attorney General should instruct the Director of the Bureau of Prisons to strengthen management by making sure that: (1) classification and counseling programs identify offenders' needs and interests; (2) academic and occupational programs prepare offenders for employment; (3) transitional services implement current policies for social education and prerelease programs; and (4) the management information system is improved by training staff responsible for collecting and reporting information. The Director of the National Institute of Corrections should disseminate to each correctional agency for use as models, the reassessment of classification and counseling services, curriculum materials, and program review criteria developed by the Bureau. The Secretary of Health, Education, and Welfare should direct the Commissioner of Education to encourage the States to improve management of the classification, counseling, curriculum, on-the-job training, and transition programs in their correctional institutions. The Secretary of Labor should encourage the use of designated funds for establishing and operating programs and services to prepare and enable offenders to take advantage of employment opportunities.

Agency Comments/Action

The Bureau is implementing the recommendations.

Appropriations

Salaries and expenses - Department of Justice, Bureau of Prisons

Appropriations Committee Issues

The Congress should continue to monitor the Bureau's implementation of the recommendations to assure that the Bureau makes maximum effective use of the funds used to help improve the employability of offenders in Federal prisons.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

Heroin Statistics Can Be Made More Reliable
(GGD-80-84, 7-30-80)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority: Reorg. Plan No. 2 of 1973.

GAO reviewed the statistical indicators used by the Government to assess its impact on heroin abuse and supply in the United States. Heroin is considered the most dangerous drug available, and the ability to accurately measure and assess its supply and abuse is critical to law enforcement and rehabilitation managers and policymakers. The clandestine nature of heroin trafficking and consumption prevents direct measurement of availability and purity. Consequently, the Federal Government uses indirect indicators to monitor the extent of domestic heroin abuse and availability. Trends developed from the indicators are used to indicate the Government's effectiveness in combatting the heroin problem. Moreover, the Drug Enforcement Administration (DEA) uses the indicators to develop its budget, formulate policies and strategies, and allocate resources.

Findings/Conclusions: In its review, GAO found that the statistical indicators used to assess law enforcement efforts to combat heroin trafficking and abuse have problems that affect their reliability. In order to make these statistics more reliable, DEA needs to: (1) revise the data base used to determine retail heroin prices and purity; (2) monitor for accuracy in reporting the heroin-related death and injury data; (3) eliminate from reported heroin removals the double counting and overstating; and (4) expand the reporting indicators by noting limitations in the way they are developed and how they can be used. Further, the heroin indicators are often cited without sufficient qualification. So cited, they give the impression that they are precise measures; however, they are not. When using these indicators, care should be taken to fully disclose data and methodology limitations so that the indicator users can make better informed decisions.

Recommendations: The Attorney General should direct the DEA Administrator to: (1) reexamine the decision not to use local police heroin buys for computing the price and purity indicators and the reasons for discontinuing the program; (2) modify the criteria for qualifying price and purity samples so that they more accurately reflect the retail market; (3) monitor periodically and on a representative basis the accuracy of the Drug Abuse Warning Network (DAWN) system; (4) report as heroin-related only those deaths where heroin played a role; (5) accumulate in a separate DAWN category deaths due to morphine-related drugs, such as codeine; (6) report all heroin removals from data contained in the DEA System to Retrieve Information from Drug Evidence; (7) report all heroin removals by their pure weight; and (8) fully disclose in all public statements and reports the limitations of heroin indicators and significant changes affecting indicator results.

Agency Comments/Action

As of October 15, 1980, the Attorney General had not responded to the recommendations.

Appropriations

Department of Justice, Drug Enforcement Administration

Appropriations Committee Issues

The Committees should take into consideration the validity and reliability of the LEAA statistics.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF THE INTERIOR

The Indian Self-Determination Act: Many Obstacles Remain

(HRD-78-59, 3-1-78)

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (0501)
Legislative Authority: Indian Self-Determination and Education Assistance Act (25 U.S.C. 450, P.L. 93-638). Buy Indian Act of 1910 (25 U.S.C. 47). Johnson-O-Malley Act of 1934 (25 U.S.C. 452). 25 C.F.R. 271. S.Rept. 93-762. S.1017 (93rd Cong.). Indian Reorganization Act of 1934. P.L. 83-280. P.L. 94-437.

Title I of P.L. 93-638, the Indian Self-Determination Act, gives Indian tribes the opportunity to administer Federal Indian programs through contracts which they must request. The Secretaries of the Interior and Health, Education, and Welfare (HEW) are directed to contract with the tribes to plan and conduct programs which the Bureau of Indian Affairs (BIA) and/or the Indian Health Service (IHS) administer for the Indians.

Findings/Conclusions: In three areas reviewed, very little control has shifted to tribes since implementation of title I. Of 50 title I contracts given to the five selected tribes during fiscal years 1975-1977, only 1 resulted in a shift of services from the agency to the tribe, 40 represented renewals of previous contracts, and 9 were for new programs. Most tribal officials said that they did not plan to request contracts for large-scale takeover of programs, citing such obstacles as Federal procedures and policies, beliefs that contracts do not offer greater opportunities, and uncertainties and fears related to program administration and funding. Because of the agencies' interpretation of self-determination, they have adopted policies of reacting to tribal initiatives rather than encouraging tribes to contract for programs. GAO believes that the act allows the agencies to encourage and assist tribes without violating the concept of self-determination.

Recommendations: The Secretaries of the Interior and HEW should direct BIA and IHS to establish criteria for measuring progress in implementing the Self-Determination Act and develop and implement procedures for making sure that tribes have a full understanding of their options under title I, helping tribes obtain information needed for informed decisions on assuming programs, and guiding the tribes in determining how to acquire needed skills or resources to contract for a particular program. Some tribes may require a description of programs available for contracting and a list or description of services delivered to the tribe.

Agency Comments/Action

Subsequent to the report's issuance, the Indian Health Service has established the Office of Tribal Health Program Support. This program will be the primary mechanism for strengthened tribal self-determination capacity to operate or manage their own health care delivery system. This new program will provide the resources needed by the Indian Health Service to award contracts and grants pursuant to the Indian Self-Determination Act, and enable tribes and tribal groups to develop necessary management capabilities in such activities as planning, development of health care institutions, training staff development and evaluation of program effectiveness.

Appropriations

Preventive health - Department of Health and Human Services, Indian Health Service

Appropriations Committee Issues

Congress needs to be assured that: (1) Federal expenditures are not significantly increased as a result of the transfer of Federally managed activities to tribal controlled activities; (2) BIA and IHS managed activities are not forced upon the tribes; and (3) IHS budget requests for self-determination activities related to health training, community development and urban health programs are not repetitive.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Food and Drug Administration
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF FEDERAL PROCUREMENT POLICY
VETERANS ADMINISTRATION

Federal Government Still Striving To Establish Single Drug Procurement System

(HRD-80-59, 6-30-80)

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058)
Legislative Authority: Property and Administrative Services Act. Federal Procurement Policy Act Amendments of 1979. 40 U.S.C. 471.

In a review of the prescription drug procurement activities of the Department of Defense (DOD) and the Veterans Administration (VA), their efforts and those of the Office of Federal Procurement Policy (OFPP) to establish and implement a uniform system for the procurement of drugs among Federal agencies were examined. Such a system would eliminate duplication and reduce costs. Currently, drugs are bought centrally through each agency's depot system, through Federal Supply Schedule drug contracts, or locally from drug suppliers. An OFPP policy, which has guided executive agencies in this effort since December 1977, requires the purchase of commercial off-the-shelf products when such products will adequately serve the Government's needs and the Government's use of commercial distribution channels in supplying these products. The commercial products policy relies on comprehensive market research and analysis to develop a suitable and cost effective acquisition strategy.

Findings/Conclusions: In June 1978, DOD and VA established a DOD/VA Shared Procurement Program. The incompatibility of the two major supply systems was highlighted when both agencies issued contracts under the program. On the whole, DOD, VA, and OFPP have made only limited progress in fully implementing the program. Consideration of issues related to the commercial products policy would improve the agencies' market research and analysis efforts and result in better acquisition strategies for federally managed medical materiel items. Individually, DOD and VA centralized drug procurement systems have attempted to use competitive means to buy drugs. However, the number of drugs which can be bought competitively has been limited. Several additional supply sources which could have been solicited had been overlooked. Both agencies procured the same prescription drug items at different prices. Additional savings could have been possible by substituting lower priced therapeutically equivalent drugs for other higher cost drugs currently stocked by DOD and VA. As of December 1972, the practice throughout the Government in procuring commercial products was to focus on the price paid for the item rather than on the total costs of procuring, stocking, and distributing the item. Failure to give consideration to total costs could result in a stronger preference for central stockage and issuance than may be justified. DOD and VA have recently given increased consideration to this overall concept in issues involving drug supply decisions.

Recommendations: The Director of the Office of Management and Budget should direct the Administrator, OFPP, to: give higher priority to medical materiel-related issues; use the authority provided in the Office of Federal Procurement Policy Act Amendments of 1979 to fully implement the objectives of the DOD/VA Shared Procurement Program for medical materiel; institute actions necessary to assure that all OFPP directed guidance on the implementation of the acquisition and distribution of commercial products (ADCOP) policy principles is fully considered and implemented by agency personnel throughout all Government medical materiel procurement activities; direct the appropriate Federal agencies to develop a single uniform Federal supply catalog for all drug, biological, and chemical reagent items; and initiate a feasibility study to explore procuring, stocking, and distributing all drugs common to the DOD and VA centralized wholesale depot systems. The Secretary, DOD, and the Administrator, VA, should establish an effective market research and analysis program for drugs and medical devices; substitute, to the maximum extent possible, any lower priced therapeutically equivalent drug for a higher priced drug currently procured by the agencies' centralized wholesale drug supply systems. The Secretary, DOD, should instruct DOD supply personnel to: (1) adopt a total cost methodology for use in management decisions concerning all current and proposed drug items to be centrally procured, stocked, and distributed; and (2) eliminate from the Defense Personnel Support Center wholesale depot system management control items which can be more cost effectively supplied through alternative methods. In addition, the Secretary of DOD should reassess the need for placement of the national stock number on each unit of issue in the light of ADCOP policy principles, its effect to date on achieving commonality for the items procured under the DOD/VA Shared Procurement Program, and the inability to exchange or receive credit for drug items returned to suppliers with national stock number markings. The Administrator, VA, should instruct VA Marketing Center officials to identify duplicative drug items procured and distributed through the Federal depot systems and the Federal Supply Service drug schedules in efforts to adopt a suitable single acquisition strategy to satisfy all Federal users and eliminate those items identified above from availability through the Federal Supply schedules if such means of supply are not the most cost effective.

Agency Comments/Action

OFPP generally agreed with the recommendations. It believed significant progress was being made in issues relative to many of the report's recommendations. DOD endorsed the intent of the recommendations concerning (1) the establishment of an effective market research and analysis program, (2) the use of FDA expertise in substituting lower priced, therapeutically equivalent drugs for higher priced drugs currently procured through the centralized wholesale drug supply system, and (3) adoption of a total cost methodology in drug procurement, stockage, and distribution decisions. In each instance DOD believed it had already adopted measures to comply with the report's recommendations. However, in an overall sense, DOD believes it can do more in the future to more fully implement these recommendations. DOD disagreed, however, with the recommendation to reassess the need for placement of a national stock number on each unit of issue. VA generally agreed with the recommendations made to the Administrator, VA.

Appropriations

Operation and maintenance, other procurement - Army, Navy, Air Force
Operation and maintenance, procurement - Veterans Administration, Department of Medicine and Surgery

Appropriations Committee Issues

For nearly 2 decades, the Federal Government has tried to establish a single system for procuring and supplying drugs and medical devices in order to eliminate unnecessary duplication and reduce costs. Only recently have OFPP, DOD, and VA begun to make progress in establishing and implementing such a system. A Government-wide system is beginning to take shape. However, much remains to be accomplished.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF MANAGEMENT AND BUDGET

Increased Use of Expanded Function Dental Auxiliaries Would Benefit Consumers, Dentists, and Taxpayers
(HRD-80-51, 3-7-80)

Budget Function: Health (0550)
Legislative Authority: Health Professions Educational Assistance Act of 1976.

Making better use of expanded function dental auxiliary (EFDA) personnel is one way to increase the efficiency of dental health care delivery and the availability of care. EFDA's are dental assistants or dental hygienists who have obtained additional education or training to perform a wide range of expanded clinical functions and patient care procedures under dentists' supervision. Using an EFDA to complete restorations (fillings) enables a dentist to concentrate on more complex dental tasks and treat additional patients. This increased productivity can help alleviate dental shortages and, to the extent dentists are willing to pass on savings realized from productivity gains, can also help contain dental care costs. Because experts believe and Congress has recognized that EFDA's are most productive when used to complete restorations, the study focused on this area. Questionnaires were sent to dentists in private practice in both States that allow the use of EFDA's in this manner and those that legally preclude the use of EFDA's to complete restorations. City public health department administrators in various cities in both types of States were contacted, and public health dental clinics in both types of States were visited. Data and policy statements were also obtained concerning the use of EFDA's in dental programs operated or administered by some of the component agencies of the Department of Health, Education, and Welfare (HEW), the Veterans Administration (VA), the military services of the Department of Defense (DOD), and the U.S. Coast Guard (USCG).

Findings/Conclusions: Most States have dental laws or regulations prohibiting private dentists and public health departments if they so desire, from employing EFDA's to complete restorations. The American Dental Association (ADA) also opposes using EFDA's to complete restorations because it believes that performing this procedure effectively and safely requires knowledge acquired in professional dental education. While the emphasis of the Federal Government has been on training additional dentists, since the early 1970s, the Congress has increasingly supported the training and use of EFDA's. State dental boards, consisting mostly of dentists, are responsible for enforcing dental laws to protect the public from poor quality dental care and unqualified practitioners. Although the boards believed that EFDA's do not have the training and skill to safely perform this function, factual evidence to support this position was not provided. GAO believed the boards' rationale, and the ADA policy could not be supported or justified by available evidence and that the States should change laws to permit dentists to employ EFDA's to complete restorations, if they so desire. Dentists and public health departments in States precluding the use of EFDA's to perform expanded functions indicated that they would employ EFDA's in this manner if legally permitted to do so. Federally operated dental programs can employ EFDA's to perform a full range of expanded functions, but the Office of Management and Budget (OMB) has not established an overall policy requiring their use to the extent possible in all Federal direct care dental programs. Consequently, auxiliaries are employed to varying degrees in dental programs operated or administered by HEW, VA, DOD, and USCG.

Recommendations: To promote more widespread opportunities for dentists throughout the nation to employ EFDA's to complete restorations, if they so desire, the Secretary of HEW should: resume and intensify the HEW efforts in cooperation with the Council of State Governments and the dental profession, to persuade States to change laws and allow EFDA's to complete restorations under a dentist's supervision; monitor States' progress in amending laws; determine whether enough trained EFDA's exist in States where they can be legally employed and whether additional Federal support is needed to alleviate any shortage; publish the results of research on the use of EFDA's to complete fillings; seek appropriate legislative action if States do not change their laws in a reasonable time; meet with ADA representatives to urge them to reconsider their policy and to encourage State governments to modify their dental practice acts; implement promptly the HEW policy on employing EFDA's in Public Health Service agencies, and develop a similar policy for HEW grant- and contract-funded programs; and direct the Administrator of the Health Services Administration to conduct expeditiously the study of the appropriate conditions for the assignment and use of EFDA's in HEW-designated dental shortage areas. The Secretary of Defense should establish a policy requiring the military services to employ EFDA's to complete restorations whenever and wherever feasible. The Administrator of Veterans Affairs should expand the employment of EFDA's in the VA dental care system. The Director of OMB should establish a policy (1) requiring the employment of EFDA's to complete restorations to the extent possible in all federally operated dental programs, and (2) promoting their use in federally funded programs. The Director of OMB should also require budget examiners reviewing dental program budget requests to consider whether agencies have adopted this approach when feasible to do so.

Agency Comments/Action

HEW substantially agreed with the report's presentation of relevant issues, conclusions, and recommendations. It supports the elimination of legal barriers to the use of trained auxiliaries and said their use could potentially improve the Nation's oral health and help contain dental care costs. HEW stated that (1) it developed a policy promoting EFDA employment in HEW grant and contract funded programs, and (2) a contract for a study of the appropriate conditions for the assignment and use of EFDA's in dental shortage areas, as required by the Health Professions Educational Assistance Act of 1976, is being negotiated with outside experts for completion in fiscal year 1981. HEW agreed with the intent of the recommendation to effect changes in State laws to permit the use of these auxiliaries to complete restorations by private dentists and public health departments that desire to do so. HEW stated that its program to train dental students in the effective management of dental auxiliaries, including EFDA's, and to provide formal training for EFDA's should expedite the acceptance and adoption of this modification of the dental care delivery system. However, because of the anti-inflation efforts and the need to restrain Federal funding, fiscal year 1980 funds for EFDA training were proposed for rescission by the Administration and funds for this program were not requested from Congress for fiscal year 1981. DOD agreed with the report findings and said plans will be developed to identify those instances and locations where the use of EFDA's is feasible. Although VA canceled its plans to proceed with a proposed study to determine how and where EFDA's can be successfully used throughout its operations, VA said that its present EFDA programs will be closely monitored for effectiveness and applicability to VA hospital dentistry. VA also said that major expansion of EFDA use in the VA system is anticipated, but the speed and extent to which this is accomplished will be determined by overall budget priorities. The Department of Justice (DOJ) does not intend to consider employing EFDA's to complete restorations in the Bureau of Prison's dental program until it is legally permitted in the vast majority of States and is a generally accepted national practice. The Department of Transportation (DOT) is pleased with the impact of EFDA's on its dental program although budget constraints have prevented its expansion. OMB did not concur with the recommendation that it establish a policy requiring the employment of EFDA's to complete restorations to the extent possible in all federally operated dental programs. OMB believes that decisions concerning the use of health professionals should be made by managers responsible for program administration and that sufficient differences exist regarding the clientele and the operations of each Federal program to warrant flexible personnel management policies. OMB agreed, however, to consider EFDA utilization when analyzing agency submissions for the 1982 budget. OMB did not respond to the recommendation that it develop a policy requiring EFDA utilization to the extent possible in federally funded dental programs.

Appropriations

Department of Health and Human Services, Health Resources Administration and Health Services Administration
Department of Defense; Army, Navy and Air Force
Veterans Administration
Department of Justice, Bureau of Prisons
Department of Transportation, United States Coast Guard
Office of Management and Budget

Appropriations Committee Issues

The Committees should determine what success HEW has had in (1) its efforts to persuade the States to change laws and allow EFDA's to complete restorations under a dentist's supervision, (2) meeting(s) with the American Dental Association urging them to reconsider their policy opposing the use of EFDA's in this manner and encourage State governments to modify their dental practice acts, and (3) implementing its new policy promoting EFDA employment in HEW grant and contracted funded dental programs. They should determine what the results were of the HEW evaluation of whether (1) enough trained EFDA's exist in States where they can be legally employed, and (2) if additional Federal support is needed to alleviate any shortage. The Committees should determine the extent to which OMB has: (1) assured itself that each Federal agency is using EFDA's to complete restorations to the extent possible when it analyzed agency submissions for the 1982 budget, and (2) promoted their use in federally funded dental programs. They should determine what the results were of DOD efforts to identify those instances and locations in the military services where the use of EFDA's is feasible, especially for the Navy, whether the Bureau of Prisons reconsidered its position to postpone using EFDA's solely on the basis of their acceptance in the private sector since federally-operated dental programs are not bound by State dental practice acts; and what the Veterans Admininstration plans are for significantly expanding its use of EFDA's in fiscal year 1981 and beyond.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF MANAGEMENT AND BUDGET
VETERANS ADMINISTRATION

Legislation Needed To Encourage Better Use of Federal Medical Resources and Remove Obstacles to Interagency Sharing

(HRD-78-54, 6-14-78)

Budget Function: Health: Health Care Services (0551)
Legislative Authority: Heart Disease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5003. 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C. 1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613. H.R. Conf. Rep. 94-1314. Army Regulation 40-3. OMB Circular A-95.

Concern has been expressed about the increasing costs of medical care in the Nation. The Department of Defense (DOD), the Veterans Administration (VA), and the Department of Health, Education, and Welfare (HEW) have the major responsibility for providing health care directly to beneficiaries. Several laws have been enacted to encourage regional cooperation in health care.

Findings/Conclusions: Federal agencies' participation in regional health planning groups has been, for the most part, only advisory. In fiscal year 1977, the responsible agencies spent over $6 billion to provide medical care to Federal beneficiaries and over $700 million for care in the non-Federal sector. Increased interagency sharing is being planned, and an interagency Federal Health Resources Sharing Committee has been established. However, there are obstacles to interagency sharing such as the absence of a specific legislative mandate or guidance for this purpose, restrictive regulations and policies, and inconsistent methods for reimbursing agencies for services provided to beneficiaries of other agencies.

Recommendations: The Secretaries of Defense and HEW and the Administrator of VA should direct the committee to seek solutions to obstacles within agencies which impede sharing, and report annually to congressional appropriations committees on progress. The Director, Office of Management and Budget (OMB) should establish a management group to work with agencies to better coordinate the development of an effective Federal sharing program. Congress should enact legislation to establish an expanded and cost-effective interagency sharing program. The legislation should establish a policy that directs interagency sharing, authorize Federal direct health care providers to accept all categories of beneficiaries on a referral basis when advantageous, eliminate restrictions on medical services which can be shared, authorize sharing arrangements by Federal field hospital managers, authorize expansion of services for cost effectiveness, establish a policy requiring fullest use of nearby Federal medical resources, authorize a method of reimbursement for Federal hospitals in which revenues would offset expenses, and assign to OMB responsibilities for coordinating interagency sharing and reporting to Congress.

Agency Comments/Action

DOD, VA, and HEW generally agreed with the conclusions and recommendations, expressing their support for the concept of increased sharing of Federal medical resources. They cited several actions that have already been taken toward this objective, including the establishment of the Federal Health Resources Sharing Committee. OMB agreed that interagency sharing should be improved, but did not agree with some of the recommendations concerning its role in increasing interagency sharing. OMB strongly disagreed with the proposed legislative mandate and the extent to which the legislation would thrust OMB into the direct management of agency health programs. None of the administrative obstacles identified in the report has been resolved. However, the major obstacle to interagency sharing, the issue of inconsistent and unequal methods for reimbursing agencies for services rendered to other agencies' beneficiaries, was considered by the Federal Health Resources Sharing Committee. No resolution of this matter has been achieved. OMB has not established a management group to work with DOD, HEW, and VA to coordinate the development of an effective interagency sharing program. Legislation was introduced in the second session of the 96th Congress to establish an effective medical resource sharing program. This legislation focuses primarily on the operations of the DOD and VA direct health care programs.

Appropriations

Medical care - Veterans Administration
Operation and maintenance - Army, Navy, Air Force
Military construction - Army, Navy, Air Force
Military personnel - Army, Navy, Air Force

Appropriations Committee Issues

Eliminating legislative and administrative obstacles and implementing a structured Federal interagency sharing program would be advantageous to both the Federal Government and its health care beneficiaries.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Sharing Cardiac Catheterization Services: A Way To Improve Patient Care and Reduce Costs
(HRD-78-14, 11-17-77)

Budget Function: Health: Health Care Services (0551); Health: Health Planning and Construction (0554)
Legislative Authority: Economy Act (31 U.S.C. 686), P.L. 89-785.

Cardiac catheterization is a procedure used to diagnose possible heart conditions. It is performed in 90 Federal hospitals: 66 Veterans' Administration (VA) facilities; 20 Department of Defense (DOD) facilities; 3 Public Health Service hospitals; and the National Institutes of Health clinical center in Bethesda, Maryland. Several medical professional organizations, as well as VA, have developed guidelines for cardiac catheterization laboratories. These guidelines are intended to keep physicians' skills high and to minimize risk to patients. DOD and the Public Health Service have no such guidelines.

Findings/Conclusions: The number of cardiac catheterizations being performed in DOD and VA laboratories varied considerably. For fiscal year 1976, catheterizations performed at the Federal hospitals reviewed ranged from 574 at Walter Reed in Washington, D.C., to 60 procedures at Wright Patterson in Dayton, Ohio. Also, there was no correlation between the number of catheterizations performed and the number of physicians performing them. In addition, physicians at the hospitals had differing views of the number of catheterizations that should be performed to maintain their proficiency. In each of four geographic areas visited, there were opportunities to provide cardiac catheterization on a shared basis which could increase patient safety and reduce costs to the Government. The sharing opportunities could be accomplished within the framework of present laws governing DOD and VA operations.

Recommendations: The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of Veterans Affairs should: (1) jointly develop uniform Federal guidelines for the planning and use of Federal cardiac catheterization laboratories which associate the number of catheterization procedures to be performed with the number of physicians that should perform them; (2) consider what variances from those guidelines might be appropriate; (3) jointly analyze the use levels at the laboratories and adjust the manner in which this diagnostic service is provided, and, where feasible, provide cardiac catheterization on a joint or shared basis in a single Federal facility; and (4) consider discontinuing the procedure in Federal facilities in geographic areas where the Federal guidelines cannot be met and obtaining this service from nearby civilian hospitals. The Director of the Office of Management and Budget should oversee the offsets of DOD, HEW, and VA in developing uniform Federal guidelines for the planning and use of Federal cardiac catheterization laboratories to insure it is accomplished in an appropriate and timely manner.

Agency Comments/Action

HEW, VA, and DOD generally agreed with the recommendations and have been trying since June 1977 to develop uniform Federal cardiac catheterization guidelines. A Cardiac Catheterization Laboratories Subcommittee report was presented to the Federal Health Resources Sharing Committee at the January 10, 1979, meeting and completed at the April 6, 1979, meeting. The subcommittee report contains 16 findings and 14 general program recommendations. However, no uniform guidelines and criteria have yet been adopted by the affected agencies. OMB has taken no action to specifically oversee the development of cardiac catheterization guidelines or to insure that it is accomplished in an appropriate and timely manner.

Appropriations

Medical care - Veterans Administration
Operation and maintenance - Army, Navy, Air Force, Department of Health and Human Services
Military personnel - Army, Navy, Air Force, Department of Health and Human Services
Military construction - Army, Navy, Air Force, Department of Health and Human Services

Appropriations Committee Issues

Budget requests for funds for cardiac catheterization laboratories or similar specialized services should include justifications as to the need for the services. These justifications should adequately assess the patient demand and the possibility of using other DOD, VA, or HHS facilities.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Computed Tomography Scanners: Opportunity for Coordinated Federal Planning Before Substantial Acquisitions

(HRD-78-41, 1-30-78)

Budget Function: Health: Health Care Services (0551)

Computed tomography scanning is a new diagnostic technique using X-rays. It is of little risk to patients, causes minimal discomfort compared to other diagnostic procedures, and eliminates some shortcomings of conventional X-ray methods. Scanners cost from $300,000 to $700,000 each; operation and maintenance expenses are estimated at several hundred thousand dollars a year. As many as 2,500 scanners may be operating in the United States by 1980. In an effort to control the acquisition of scanners, some States have imposed moratoria on their purchases. Criteria for planning and using scanners are limited.

Findings/Conclusions: The Federal Government has 16 scanners in operation and plans to purchase an additional 29, 16 for the Department of Defense (DOD) and 13 for the Veterans Administration (VA). These 45 scanners will cost about $21 million. VA has 11 scanners in operation, and DOD is installing scanners at three of its major hospitals. Only limited criteria and information were available to justify the need for or locations of these scanners. No coordination took place between VA and DOD in planning for these scanners, and neither department made sure that there will be enough people to operate the scanners as planned. Delays are anticipated in getting staff or authorization for the positions. It will be difficult to fully use the equipment, and staff relocations from other hospitals will be necessary for operation of the scanners. The Federal Government has purchased only a limited number of scanners; excess acquisition has not yet occurred. However, because of the large number that DOD and VA plan to acquire over the next few years, criteria should be developed quickly or the Federal health care system may have too many.

Recommendations: The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of the VA should develop a coordinated approach for planning and using scanners. This approach should include: specific criteria for assessing and justifying the need for the equipment and determining the most appropriate location; a policy requiring that, where possible, Federal agencies share scanners; and a mechanism for determining if it would be feasible and economical for Federal agencies to use those scanners located in the private sector. The Director of the Office of Management and Budget should ensure that DOD, VA, and HEW promptly develop this approach. Congress should consider limiting the number of scanners that can be purchased until the coordinated Federal approach is developed.

Agency Comments/Action

DOD, VA, and HEW agreed with the recommendation that they develop a coordinated Federal approach for planning and using computed tomography scanners. National Guidelines for Health Planning, published in the Federal Register on March 28, 1978, contain a standard for the acquisition and use of computed tomography scanners. In addition, the Federal Health Resources Sharing Committee established a Computerized Tomography Subcommittee to (1) develop and propose guidelines and criteria for assessing and justifying the need for and appropriate locations of the scanners, (2) develop and propose utilization criteria, and (3) propose geographic areas where opportunities exist to share computed tomography services. The Federal Health Resources Sharing Committee's Subcommittee on Computerized Tomography presented its final report at the November 1, 1978 meeting of the Sharing Committee. The report consisted of guidelines and criteria to be used for determination of the need and justification for such equipment in the Federal sector and in the identification of geographical areas of the country where shared services are feasible. The report findings and recommendations were approved by the Sharing Committee and sent to DOD, HHS, and VA for their consideration. The report was subsequently modified to reflect certain changes proposed in agency responses to the report. No uniform criteria or guidelines have yet been adopted by the agencies. Neither Congress nor OMB have initiated the recommendations suggested in the report.

Appropriations

Medical care - Veterans Administration
Operation and maintenance - Army, Navy, Air Force, Department of Health and Human Services
Military construction - Army, Navy, Air Force, Department of Health and Human Services
Military personnel - Army, Navy, Air Force, Department of Health and Human Services

Appropriations Committee Issues

The demand for computed tomography scanners by more and more Federal health care facilities continues. The lack of a coordinated plan for the effective and efficient use of this equipment may result in the unnecessary expenditures of Federal funds.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF TRANSPORTATION
ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF MANAGEMENT AND BUDGET

Agencies Should Disclose Consultant's Roles in Preparing Congressionally Mandated Reports

(FPCD-80-76, 8-19-80)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Clean Air Act Amendments of 1970 (P.L. 91-604). Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). OMB Bull. 78-11. OMB Circular A-120.

In a study of seven agencies, GAO found that outside consulting services were used to meet over 40 percent of the agencies' congressionally mandated reporting requirements. Costs for consulting services represented about 66 percent of the total costs incurred in preparing the reports. Agencies generally based their justification for using consulting services on (1) the lack of in-house expertise, and (2) limited in-house resources and related time constraints. Two agencies used consulting services on a continuing basis to help prepare recurring reports. This action appears contrary to policy prescribed by the Office of Management and Budget (OMB). Most of the reports GAO reviewed did not adequately disclose consultants' assistance. In two earlier reports on consulting services, GAO found that agencies were having considerable difficulty in using the OMB definition of consulting services. In some cases officials lacked an awareness of the definition; in others, they adopted a more narrow definition.

Findings/Conclusions: The use of consultants in preparing congressionally mandated reports is justified in instances calling for unique skills or expertise required on a temporary basis. However, the Environmental Protection Agency (EPA) and the Department of Housing and Urban Development (HUD) repeatedly use consultants in responding to recurring requirements, which seems improper. Action is needed to assure that EPA and HUD officials adhere to the OMB definition of consulting services and follow the requirements prescribed by OMB. Consultants' roles should be completely disclosed in reports mandated by the Congress because these reports have the potential to influence the congressional oversight process and future direction of Government programs.

Recommendations: The Administrator of EPA and the Secretary of HUD should develop in-house capabilities, when economically feasible, to respond to long-term recurring congressional reporting requirements; and disseminate information to program and procurement officials emphasizing the basic policy and definition of consulting services in OMB Circular A-120 and the importance of complying with its provisions. The Director of OMB should revise Circular A-120 to require Federal agencies to fully disclose consulting services used in preparing congressionally mandated reports, briefly describing tasks performed and assessing their significance in completing the final product. GAO did not obtain agency comments on this report.

Appropriations

Salaries and expenses - Office of Personnel Management
Various appropriations for civil agencies

Appropriations Committee Issues

Without complete disclosure of the consultants' role in preparing congressionally mandated reports, the Congress has insufficient information to determine whether findings, conclusions, and views are those of the agency transmitting the reports or those of the consultants.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY

Gains Made in Controlling Illegal Drugs, Yet the Drug Trade Flourishes

(GGD-80-4, 10-25-79)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751)
Legislative Authority:
Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255). Comprehensive Drug Abuse Prevention and Control Act (21 U.S.C. 812). Tax Reform Act of 1976. Bank Secrecy Act of 1970. Bail Reform Act of 1966 (18 U.S.C. 3146 et seq.). P.L. 94-237. H.R. 2538 (96th Cong.). 21 U.S.C. 841(b).

Drug abuse and trafficking still flourish despite several decades of efforts to overcome the problem. The country's $5.5 billion drug abuse program during the past decade has dealt with both demand reduction and supply reduction. A continuing trend of great concern is the levels of drug use and abuse among young people in the United States. Drugs were the seventh most common cause of death for Americans aged 10 to 19, and ranked fourth for the 20-to-24 age group in 1976. These age categories represented one-fourth of all drug-related deaths during 1976. Although at present there exists a shortage of heroin in the United States, this accomplishment may be temporary. There is concern that as Mexican heroin availability declines, heroin from Southeast Asia and the Middle East will fill the gap. Some also fear that use of dangerous synthetic drugs will continue to increase as heroin users find that drug difficult to obtain.

Findings/Conclusions: The enormous supply of and demand for drugs have created a multibillion dollar worldwide business involving millions of Americans. The social, economic, and political realities of drug-growing countries make it difficult to prevent cultivation of illicit crops and stop trafficking at the source. Suppression efforts have been hindered by longstanding and socially accepted traditions of smuggling and corruption. In the United States, the enormous profits of drug trafficking attract an ample number of entrepreneurs who see opportunities that far outweigh those offered by legitimate businesses. It is easy to enter and distribute drugs in the United States. It has been estimated that law enforcement agencies seize only 5 to 10 percent of all illicit drugs available. Actions needed to fully support Federal drug strategy implementation have not materialized. Differing views among Government agencies, as well as the public, make it difficult to attain the necessary legislative, executive, and judicial actions to achieve an integrated and coordinated approach in efforts to reduce the drug supply.

Recommendations: The Secretary of State, with the support of the Congress, should promote a world conference and the formation of a consortium of victim countries that would develop a plan of action to fight the global drug problem in a unified way. The Secretary of State should require the Assistant Secretary for Narcotics Matters to prepare realistic country narcotics action plans detailing short and long-term goals, the means of achieving these goals, and the methods for reviewing progress. Because narcotics production and trafficking often encompass several countries, as in the Golden Triangle, the Assistant Secretary should also be instructed to prepare similar plans on a regional basis. The Attorney General should strengthen the prosecution of major drug traffickers through the increased commitment and continuity of attorney resources. The following alternatives may be used to achieve this purpose: increasing Department of Justice control over the activities of the Controlled Substances Units, establishing independent drug prosecution units similar to organized crime strike forces, or implementing uniform prosecutive priorities among the various Federal judicial districts to assure consistent commitment to high-level drug prosecutions. The Attorney General should direct the Administrator of the Drug Enforcement Administration (DEA) to improve investigative capability against drug traffickers' financial resources by training DEA agents and hiring financial specialists to assist in investigations. The Attorney General should use the expertise of the Federal Bureau of Investigation in investigating the financial aspects of drug trafficking and organized crime. The Secretary of the Treasury should speed the processing and dissemination of Bank Secrecy Act reports. In its assessment of sentencing disparities in the Federal criminal justice system, the Judicial Conference should establish a reporting and review mechanism to collect sentencing data and to periodically study the adequacy of sentencing decisions, and should request from Congress any legislative changes needed to improve the sentencing process. The Attorney General, with assistance from DEA, should determine the appropriate division of responsibility between Federal and State and local drug enforcement agencies, and then develop a policy concerning the role of DEA in cooperation with State and local drug enforcement efforts. Congress should enact legislation which would make it illegal for any person on a U.S. vessel or on a vessel subject to the jurisdiction of the United States, or for a U.S. citizen on board any vessel, to illegally possess or transfer on the high seas a controlled substance. Congress should expand the capacity of the Federal court system to better immobilize drug traffickers by passing legislation to expand the magistrates' jurisdiction to encompass most misdemeanors.

Agency Comments/Action

The Department of State agreed with the recommendation that it promote a world conference and the formation of a consortium to develop a plan of action to attack the world wide drug problem. State is currently working with the North Atlantic Treaty Organization and the Organization for Economic Cooperation and Development to identify means of operating together to target development assistance for narcotics producing countries and the need to take measures to reduce the demand for drugs in developed countries. It is also working within the United Nations' bodies to achieve these same goals. The Department of State also said it has taken steps to institutionalize narcotics issues in the overall foreign policy formulation process. This process includes the establishment of goals and objectives for specific countries, as appropriate, and also the preparation of regional narcotics strategy papers. The Department of Justice made comments and instituted actions in response to several of the recommendations. It said it was committed to strong prosecution of major drug traffickers and is taking several steps to increase the commitment and continuity of attorney resources. The Department does not believe it should increase headquarters control over prosecutional resources in the U.S. Attorney's Offices. In the Department's opinion, the individual U.S. Attorney's Offices are better able to respond to the varying criminal justice problems in their respective jurisdictions. It noted that DEA will not realize any growth in its overall position strength and therefore is unable to hire financial specialists. DEA has instituted a basic introductory financial investigative course to familiarize its agents with financial information. DEA said it will also rely on other law enforcement agencies (i.e. FBI, IRS, Customs) to focus on traffickers assets by utilizing statutes under their respective authorities. The Department of Justice agreed that financial specialists are needed and is studying a number of alternatives to effectively address this problem. The Department of Justice noted, in response to the recommendation to use the FBI on aspects of drug investigations, that the FBI and DEA are continuing to work together on several narcotics investigations. The Department of Justice said it supports legislation to establish sentencing guidelines which would help remedy some of the wide disparities in the sentencing of narcotics offenders. Finally, the Department of Justice noted that it is continuing to encourage cooperation among Federal, State, and local law enforcement agencies. Specifically, it has encouraged U.S. attorneys to establish and develop Federal-State law enforcement committees in their jurisdictions. The Department of the Treasury took action to establish an analysis unit to act as a focal point for the computerization, analysis and dissemination of data obtained from all the reports required to be filed in compliance with the Bank Secrecy Act.

Appropriations

General legal activities - Department of Justice, Drug Enforcement Administration

Appropriations Committee Issues

The Committees should determine if DEA needs additional personnel resources to focus on the financial aspects of narcotics trafficking.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
FEDERAL ENERGY REGULATORY COMMISSION
INTERSTATE COMMERCE COMMISSION

Petroleum Pipeline Rates and Competition--Issues Long Neglected By Federal Regulators and in Need of Attention

(EMD-79-31, 7-13-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (0276)
Legislative Authority: Interstate Commerce Act (P.L. 95-473; 92 Stat. 1337). Mann-Elkins Act (Interstate Commerce) (36 Stat. 539). Transportation Act, 1920. Department of Energy Organization Act (42 U.S.C. 7101 et seq.). Petroleum Rail Shippers' Ass'n. v. Alton & Southern R.R., 243 I.C.C. 589 (1941). United States v. Atlantic Refining Co. (C.A. 14060, D. D.C. 1941). Reduced Pipeline Rates and Gathering Charges, 243 I.C.C. 138 (1940).

A network of 174,000 miles of oil pipelines crisscrosses the United States, carrying 9.6 billion barrels of crude oil and petroleum products, and provides the most efficient and economical means of moving oil; pipeline costs represent only 2 or 3 percent of the delivered price of petroleum products. The Interstate Commmerce Commission (ICC) regulated these pipelines until October 1977, when jurisdiction was transferred to the Federal Energy Regulatory Commission (FERC). In over 70 years of ostensible regulation by ICC, little was done; and information as to past compliance is sketchy.

Findings/Conclusions: GAO reviewed pipeline regulation and found that consumer benefits accruing from regulation could not be determined because no acceptable rate of return was established for pipeline rates. Federal investigations of allegations of anticompetitive practices have lingered on for years, and FERC has ignored many oil pipeline common carrier issues, except for rates. Oil pipeline owners receive a higher profit return than other profitable companies; and Government has not established criteria for assessing the justness and reasonableness of these rates. The few reviews conducted by ICC were usually limited to mere records of charges without evaluation. Naturally, pipeline companies responded by steadily increasing rates beyond ICC-approved levels, partly because of a 1941 Federal consent decree, which limited dividends payable by companies to shipper-owners, but did not mention rates or profits. Even the minimal requirement of annual dividend payment reports has largely gone unheeded. Allegations of noncompetitive practices have not been resolved because the ICC gave pipelines low priority and investigated only in response to complaints; necessary information was not collected; no standards were developed for evaluating pipeline company practices; carriers' tariff rules and conditions were not questioned or reviewed; and no systematic compliance program existed until 1976. FERC has been more aggressive than ICC in pipeline regulation, although regulatory jurisdiction should be extended to include certification of public convenience.

Recommendations: To assure just and reasonable rates, FERC should implement rate reform and develop appropriate criteria without discouraging continued investment in pipelines. Procedures should include justification of rate increases, use of experienced tariff examiners, and an adequate auditing process. Pipeline regulation would be strengthened by the collection of financial and operating information by FERC and the Energy Information Administration, a determination of regulatory jurisdiction over terminals, the development of common carrier requirements for oil pipelines, and an assurance that all potential pipeline users are adequately considered in making decisions regarding routing, sizing, and expansion. The Attorney General should move to vacate the Consent Decree because it no longer serves any useful purpose. Its removal would free both the pipeline companies from the obligation of filing frequent reports and the Justice Department from the administrative burden of assuring compliance.

Agency Comments/Action

The Chairman, FERC, in his 60-day response to Congressional Committees, agreed with the aim of the recommendations, but expressed the view that FERC's rulemakings, two of which deal directly with our recommendations, represents the proper and responsible procedure to follow in formulating oil-pipeline related policies. He said these rulemaking procedures will provide FERC the information needed to act on the recommendations. The Department of Justice said that once FERC institutes effective rate regulation, Justice will act to have the consent decree vacated. Until then, however, Justice believes that the consent decree provides the only ceiling, albeit a high ceiling on pipeline rates.

Appropriations

Energy information, policy, and regulation - Department of Energy, Federal Energy Regulatory Commission; Department of Justice; and Interstate Commerce Commission

Appropriations Committee Issues

To assure just and reasonable petroleum pipeline rates, FERC should implement rate reform measures. FERC should also strengthen its regulation of pipeline practices to assure that the pipeline industry meets its common carrier obligations.

DEPARTMENT OF JUSTICE
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Proposals To Resolve Longstanding Problems in Investigations of Federal Employees

(FPCD-77-64, 12-16-77)

Budget Function: General Government; General Personnel Management (0805)
Legislative Authority: Civil Service Act of 1883. P.L. 81-733. Executive Order 10450. Executive Order 9835.

Authority to conduct investigations of Federal personnel is based on Executive Order 10450 which united previously separate suitability, security, and loyalty programs under the framework of a security program. The Civil Service Commission is primarily responsible for conducting such investigations.

Findings/Conclusions: Since 1953, new laws and court decisions have imposed constraints in the investigation process which have had the effect of reducing the authority of employing agencies to remove employees under the provisions of the Executive Order and limiting the Commission's ability to obtain information bearing on their suitability for employment. Federal regulations provide criteria for agency classification of positions according to the sensitivity of their duties which indicates to the Commission what type of investigation to conduct. Criteria for these determinations are not clear, and many positions are classified as nonsensitive although they involve a high degree of public trust. The national agency check and inquiry as now conducted are inadequate for employees in positions with sensitive duties, while the extent of investigation is excessive for the majority of positions. Deficiencies noted in the Commission's information system were: the information gathering system has no overview on how the agencies use the information; it disseminates information developed during investigations even though much of the information may have little relationship to disloyalty; and security files maintained on supposedly subversive individuals are not specifically authorized.

Recommendations: Congress should consolidate into one law the authority to investigate and judge the suitability of federal employees including their potential to impair national security. The Civil Service Commission should: improve agencies' consistency in classifying positions as to the scope of investigation needed, establish criteria to provide clear instructions on classifying positions based on sensitivity of duties, and assign more people to the review of agency classifications; insure that occupants of sensitive positions are investigated properly by establishing necessary controls and clear criteria; insure that loyalty investigations protect the interests of the Government and the rights of individuals; and insure that investigative information is limited to that which is needed to make suitability, security, and loyalty determinations.

Agency Comments/Action

The Commission agreed with the findings and principles recommended in our report, and some of the actions taken appear adequate. Other proposed actions remained inadequate and will not solve some of the critical issues we identified and reported. The Congress has not acted on our recommendation to consolidate into one law the authority to investigate. An inter-agency study group has been established to review the issues and make recommendations for solving the problems identified.

Appropriations

Salaries and expenses - Office of Personnel Management
Operation and maintenance - Department of the Treasury

Appropriations Committee Issues

Costs of personnel investigations could be reduced with improved management of the investigation process.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
DEPARTMENT OF HEALTH AND HUMAN SERVICES
RAILROAD RETIREMENT BOARD

Need for Appropriating Additional Funds To Finance Railroad Retirement "Windfall" Benefits

(HRD-79-33, 1-11-79)

Budget Function: Income Security: General Retirement and Disability Insurance (0601)
Legislative Authority: Railroad Retirement Act of 1974. Lipp v. Railroad Retirement Board (No. 76-419C, SD Indiana).

The Railroad Retirement Act of 1974 created the so-called windfall benefits. After 1974 individuals could no longer qualify for separate full benefits from the Social Security and Railroad Retirement programs that, in total, were larger than benefits they would have earned had all their earnings been credited to only one program. The amount of windfall is intended to reflect the excess benefits payable to railroad retirees because their employment was split between railroad and nonrailroad service. Windfall is equal to the Social Security formula applied against Social Security earnings, plus the formula applied against railroad earnings, less the formula applied against combined earnings under both systems. Variations of these calculations are used to compute spouse and surviving spouse windfall benefits. GAO reviewed the Railroad Retirement Board's calculations of the annual appropriation necessary to phase out the windfall appropriation. Projected windfall costs and alternative methods of financing were identified by GAO.

Findings/Conclusions: GAO projected (1) an increase of about \$2.9 billion in estimated windfall costs above the \$7.1 billion originally estimated by the Board's actuary, and (2) an increase of about \$3.5 billion in general revenue appropriations through the year 2000. Using the present funding method, 21 level annual appropriations of \$415 million beginning in 1980 would be needed to pay future windfall benefits. The Board originally estimated an annual general revenue appropriation of \$250 million. The windfall appropriations could also be funded on a pay-as-you-go cash basis, which would stretch out payments through the year 2046.

Appropriations

Railroad retirement account

Appropriations Committee Issues

The reason for the significant rise in general revenue appropriations was discussed during the 1980 appropriations hearings.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Major Federal Equal Employment Opportunity Programs for the Private Sector Should Be Consolidated

(HRD-78-72, 6-9-78)

Budget Function: Nondiscrimination and Equal Opportunity Programs (1006)
Legislative Authority: Civil Rights Act of 1964 (42 U.S.C. 2000e). Executive Order 11246. Reorg. Plan 1 of 1978.

Two major Federal programs evaluate equal employment opportunity activities of many of the Nation's employers: (1) the title VII program authorized by the Civil Rights Act of 1964 and administered by the Equal Employment Opportunity Commission (EEOC) and State and local fair employment practices agencies; and (2) the contract compliance program established to carry out Executive Order 11246 administered by the Department of Labor.

Findings/Conclusions: Many Federal contractors have undergone equal employment evaluations under both title VII and the contract compliance programs. About 50 percent of the contractors evaluated were evaluated under both programs; about half of those evaluated under both programs experienced overlap; and about 60 percent of those evaluated under both programs had problems with duplicate reporting and paperwork. Factors which caused the evaluation of the same contractors under both programs included: dual jurisdiction, different approaches and methodologies used by the two programs, and a concentration of firms with a large number of employees. As presently operated, the title VII and contract compliance programs have resulted in: frustration among the people the programs are designed to assist, inefficient use of the Government's resources, discriminatory practices going unchecked because many employers have not been evaluated under either program, and dissatisfaction and confusion among contractors which have fostered negative attitudes toward the Government's equal employment opportunity efforts.

Recommendations: Congress should consolidate the title VII and the contract compliance programs.

Agency Comments/Action

The Equal Employment Opportunity Commission agreed and stated that every component of Federal equal employment enforcement should be consolidated in a single agency. The Department of Labor disagreed because the advantages of a separate contract compliance program would be jeopardized by consolidating the two programs. As of October 1979, the Congress has not acted on the recommendation. This lack of action may be due, in part, to President Carter's announcement when he approved Reorganization Plan No. 1 of 1978 on February 23, 1978. He said that he will determine by 1981, after reviewing the manner in which both EEOC and Labor are exercising their new responsibilities, whether further reorganization is appropriate. As a result of the President's statement, it appears that the Congress intends to take a "wait and see" approach on the recommendation.

Appropriations

Title VII, Equal Employment Opportunity Commission Executive Order 11246 - Department of Labor, Office of Federal Contract Compliance Programs

Appropriations Committee Issues

Consolidation of the two programs should minimize problems and increase the effectiveness of the Federal Government's efforts to achieve equal employment opportunity.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Determining Federal Compensation: Changes Needed To Make the Processes More Equitable and Credible *(FPCD-80-17, 11-13-79)*

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: Economic Stabilization Act (P.L. 92-210). Federal Pay Comparability Act. H.R. 4477 (96th Cong.). S. 1340 (96th Cong.). 5 U.S.C. 5341.

Federal employees' pay is governed by the comparability principle. This is a concept designed to insure employees and the Nation's other taxpayers that pay is equitable and comparable with pay in the private sector. There are problems with the comparability system, and reform is needed. The roles of the parties involved in the system and the problems that proposed legislation will not correct were discussed.

Findings/Conclusions: Some of those involved in determining comparability for white-collar employees have been concerned about the President's extensive use of his authority to propose alternative plans. Because of this intervention, it was felt that the program has not been permitted to function as Congress intended. By law, the President may propose an alternative plan when the adjustment is not warranted because of a national emergency or because of economic conditions affecting the general welfare. In addition, the law required that comparability be based on levels of work, yet Presidential adjustments have often been uniform for all grades, resulting in overpayment for some levels and underpayment for others. According to various agency and employee organization officials, the blue-collar pay process was easier to understand and has resulted in fewer disagreements. This has been attributed to a more localized approach, joint participation by both labor and management at all levels, the lack of political pressure, and the fact that this system was not affected by pay caps. Several legislative changes to the blue-collar system have been proposed, leading to disputes between agency and union officials. The proposed legislation would increase the President's authority to adjust the comparability amounts and make it more difficult for Congress to override his decision.

Recommendations: The Congress should amend the law to further limit the President's use of alternative plans to insure they will be used in situations which are more indicative of national emergency or economic conditions affecting the general welfare.

Agency Comments/Action

A Bill, H.R. 7086, was recently introduced which would amend section 5305(c) of title 5, U.S. Code, to provide that (1) the authority of the President to submit any alternative plan for pay comparability adjustments be available only if general wage guidelines or controls are in effect, and (2) the overall percentage of any pay adjustment proposed under any such alternative plan be not less than the pay adjustment generally permitted under the general wage guidelines or controls or, if various pay adjustments are permitted, the median of such adjustments.

Appropriations

Salaries and expenses - Office of Personnel Management

Appropriations Committee Issues

Congressional Action is needed in order to ensure that the pay-setting process works as Congress intended.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Federal Compensation Comparability: Need for Congressional Action

(FPCD-78-60, 7-21-78)

Budget Function: Central Personnel Management (0805)
Legislative Authority: Federal Salary Reform Act of 1962, Federal Wage System (P.L. 92-392).

Most Federal employees' pay is governed by the legislated principle of comparability with pay in the private sector. Non-Federal pay rates vary among geographic areas, types of industries, size of establishments, and occupations. Provisions of the Federal pay-setting processes generally prevent the Government from considering such variances. This results in overpayment or underpayment of Federal employees in specific occupations or localities and affects the credibility of the concept of comparability. Changes have been made to the Federal white-collar pay-setting process which have saved about $3.7 billion annually, but congressional action is needed to make other needed changes.

Recommendations: GAO recommended that the annual pay surveys include State and local government employees and both benefits and pay be compared with private sector compensation. For Federal white-collar employees under the general schedule, action is needed to: establish salary schedules that are more in line with labor market characteristics, eliminate cost-of-living allowances paid to employees in nonforeign areas, and develop a method to reduce or compensate for the 6-month time lag between the reference date of comparability data and the date of the pay adjustment. For Federal blue-collar employees under the Federal wage system, action is needed to revise the five-step system for nonsupervisory grades, wage rates that are set based on private sector rates paid in another wage area, and night-shift differentials that are not determined in accordance with prevailing rates.

Agency Comments/Action

Legislation has been introduced which covers most of the GAO recommendations for improving the Federal white and blue-collar pay processes. Congressional action is needed, however, to insure the proper implementation of these changes.

Appropriations

Personnel salaries and expenses - Government-wide

Appropriations Committee Issues

Congressional support is needed to make appropriate changes to the Federal pay setting processes which will resolve shortcomings in these processes as well as provide needed credibility.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR
OFFICE OF PERSONNEL MANAGEMENT

State and Local Government Productivity Improvement: What Is the Federal Role?
(GGD-78-104, 12-6-78)

Budget Function: General Government: Executive Direction and Management (0802)
Legislative Authority: National Productivity and Quality of Working Life Act of 1975. P.L. 94-136. Federal Assistance Paperwork Reduction Act. S. 3267 (95th Cong.). Federal Grant and Cooperative Agreement Act. P.L. 95-224. Intergovernmental Personnel Act. Public Works and Economic Development Act. Executive Order 12089.

Productivity is defined as the relationship between resources used and results achieved. Improvement in productivity means either obtaining more and better program output from a given level of resources or using fewer resources to maintain or improve a certain quality level of output. The Federal Government has a vital stake in improving the productivity of State and local governments for two primary reasons: the national economy is strengthened as a result of improvements in the productivity and fiscal prospects of this key sector; and the effectiveness and efficiency of the multitude of Federal grant and regulatory programs using State and local governments to implement Federal policies are directly related to the management capacity of those governments.

Findings/Conclusions: The productivity in State and local governments is lower than it could be, resulting in higher costs and/or lower levels of public services. State and local government operations do not have the profit incentive to improve productivity that exists in the private sector. However, substantial fiscal and performance benefits have been achieved by innovative State and local governments which have initiated productivity improvement programs. Productivity improvement has been used as a strategy to relieve growing fiscal pressures faced by State and local governments, but most State and local governments do not have significant, comprehensive productivity improvement programs. Major barriers preventing or limiting State and local improvement programs include internal resistance, the large initial investment needed to start a program, and the limited capacity of organizational systems. The most important impact of the Federal Government on State and local government productivity is the Federal grants system, but most Federal grant programs do not reward grantees for productivity performance.

Recommendations: The President should establish a focal point at the Federal level with clear authority to oversee and provide stronger leadership for Federal efforts assisting State and local management improvement and productivity. The Congress should institute fundamental changes in the grants system by removing negative barriers and by incorporating positive incentives to reward improved productivity in grant programs. The Director, Office of Management and Budget (OMB), with the assistance of the proposed focal point, should lead a Government-wide effort to promote increased concern for productivity in Federal assistance programs.

Agency Comments/Action

In September 1979, the National Productivity Council endorsed the State and local government productivity focal point in OPM and an expanded general management improvement program. Intergovernmental Productivity bills (S. 1155 and H.R. 2735) were introduced to provide additional Federal seed money for State and local government productivity improvement projects.

Appropriations

Office of Personnel Management
Department of Labor

Appropriations Committee Issues

The Committees should provide appropriate funding levels for a general management improvement program and for a State and local government productivity focal point in the Office of Personnel Management (OPM). Appropriate funding levels should be provided to the Bureau of Labor Statistics for a State and local government productivity measurement program. Positive productivity incentives should be incorporated in Federal domestic programs by changing program funding formulas.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
GENERAL SERVICES ADMINISTRATION

Police Forces in the District of Columbia Can Improve Operations and Save Money
(GGD-79-16, 7-12-79)

Budget Function: Administration of Justice (0750)
Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act. P.L. 93-198. 4 Stat. 266. 9 Stat. 599. P.L. 94-306. 22 Stat. 243. 4 Stat. 324.

Four District police forces were reviewed, the Metropolitan Police Department, the U.S. Park Police, the Capitol Police, and the Metro Transit Police. The forces need to improve their patrol practices and certain inefficient and costly practices.

Findings/Conclusions: Park and Metropolitan police officers patrol the same areas in some District locations because of overlapping jurisdictions. In addition, because Metropolitan and Park forces each maintain their own photography and fingerprinting facilities, they sometimes unnecessarily repeat identification processing of arrestees. Police officers perform clerical, administrative, technical, and protective duties, which lower cost civilians and guards could do. The forces could save as much as $3.1 million annually if civilians and guards were used instead of sworn officers. Finally, sometimes the police forces buy weapons which are being stockpiled by other forces or purchase items which could have been bought at reduced prices from the General Services Administration (GSA).

Recommendations: The police forces should transfer jurisdiction of certain land to avoid overlapping patrols; coordinate identification services; use civilians and guards instead of police officers where possible; and adopt a policy to acquire goods and services from GSA when economically beneficial.

Agency Comments/Action

The forces' reaction to the report's recommendations were mixed, although all agreed that seeking more efficient and economical operations is a worthwhile goal. In September 1979, the Department of the Interior, in replying to the report in accordance with the Legislative Reorganization Act, advised that it would not support any change in providing police services in the areas currently under U.S. Park Police jurisdiction. Interior also agreed to discuss with the District of Columbia government ways to minimize duplication of identification services. Except for Capitol Police, there was agreement from all forces to increase use of civilians in lieu of sworn officers where feasible, and in procuring from the General Services Administration when beneficial; and the forces described the extent to which they were or would be following this practice. By June 27, 1980, the Metropolitan Police, Metro Transit Police, and U.S. Park Police had replaced a total of 39 sworn officers with civilians. The forces realized a one-time savings totaling $264,000 in training and equipment costs and a recurring savings of $497,180 in salary and fringe benefit costs.

Appropriations

Congressional operations - District of Columbia
Department of the Interior, National Park Service
Intergovernmental Agencies

Appropriations Committee Issues

The forces can improve their patrol practices and reduce costs by: coordinating identification services; using civilian and guard employees more; and improving procurement practices.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Phosphates: A Case Study of a Valuable, Depleting Mineral in America
(EMD-80-21, 11-30-79)

Budget Function: Natural Resources and Environment: Other Natural Resources (0306)
Legislative Authority: Endangered Species Act of 1973. H.R. 2743 (96th Cong.).

Phosphate is a primary plant nutrient which is absolutely vital to sustaining the Nation's agricultural output, and phosphate rock is the only practical source of phosphorous on a commercial scale. In order to assess the outlook for phosphate, GAO reviewed phosphate-mining techniques, the effects of environmental regulation on the industry, and methods being used to estimate the quantity of domestic phosphate reserves and resources.

Findings/Conclusions: As presently mined, high-grade phosphate deposits are being depleted. Over one-half of all phosphate production in the United States occurred in the last 12 years, and it is far from certain that the Nation's reserves will be adequate beyond the year 2000. In order to plan for the availability of phosphates in the future, a reliable information system is needed. The Bureau of Mines relies too heavily on unverified, proprietary data without judging its reliability. World-reserve estimates have fluctuated wildly from year to year and are even less reliable than domestic estimates. Environmental and land-use concerns are another factor which must be considered in planning phosphate availability. While past availability depended only on whether or not it was profitable to produce the mineral, it is being increasingly subordinated to environmental impact and competing desires for nonmining uses of public lands. Government policies which seek to minimize environmental damage diminish potential phosphate reserves significantly. A third factor essential to planning is an assessment of the world market outlook: the present trends of global production and imports indicate that availability is bound to have economic and probably strategic implications for the United States and its allies. Finally, while the Nation has traditionally relied on market forces to deal with shortages and has generally expected private industry to meet new demands, there is now a need for the Government to plan for the long-term requirements of the country.

Recommendations: The Secretary of the Interior should make a thorough review of the Nation's long-range phosphate position and report to the Congress on the future availability of phosphates. This phosphate assessment should be completed no later than December 31, 1981, and include the following: (1) a comprehensive assessment of the phosphate reserves of the Nation and the world, with the Secretary judging the need, if any, for Government verification of proprietary (source) records to the extent that the assessment is based on unverified data; (2) a determination of the extent that environmental concerns and land-use decisions are likely to restrict phosphate development; (3) a review and evaluation of alternatives to dependency on imports and assessment of their costs; and (4) a Department of Agriculture estimate of future needs for phosphates in agriculture and possible food production alternatives to depending on foreign fertilizer sources. OSTP in the Executive Office of the President should coordinate and make sure that an integrated research and development program for phosphates is begun and that OSTP contribute as appropriate to the comprehensive review and report. The Congress should require immediate work to start on the recommended review and be particularly alert to the Department of the Interior's response to this report, as required by the Legislative Reorganization Act of 1970. In the same fashion, the Congress should also carefully monitor the actions of the Office of Science and Technology Policy (OSTP) in assisting formulation of a comprehensive research and development program for phosphates. If the OSTP persists in its negative attitude and abdication of responsibility, the Congress should consider an alternative placement of responsibility for coordination of materials research and development issues of national concern.

Agency Comments/Action

The Department of the Interior stated that a comprehensive assessment of the domestic potential phosphate reserves is currently underway within the Bureau of Mines, and one on world reserves will follow. Both assessments are scheduled for completion by the end of 1982. In view of this, the Department does not believe the study called for in the GAO report is necessary at this time. However, funds have neither been budgeted nor appropriated for the assessments. The Office of Science and Technology Policy disagreed with the GAO recommendation that it coordinate and ensure implementation of an integrated research and development program for phosphates because it believes the present system works rather well and does not require major change.

Appropriations

Department of the Interior and Office of Science and Technology Policy

Appropriations Committee Issues

Congress should decide to require the Secretary of the Interior to review the Nation's long-range phosphate position and report to them on the future availability of phosphates. This study is necessary because over the next two decades the richest U.S. phosphate deposits are likely to be depleted and nonfuel minerals policy review has not addressed the phosphate issue in a coherent manner. Congress should also decide to monitor the Office of Science and Technology Policy in assisting formulation of a comprehensive research and development program for phosphates. If not satisfied, Congress should consider an alternative placement of responsibility for coordination of materials R&D issues of national concern.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF TRANSPORTATION
ENVIRONMENTAL PROTECTION AGENCY

Review of Procedures Used To Provide Funds for Citizen/Government Transportation Planning Center

(CED-80-99, 6-19-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Clean Air Act (42 U.S.C. 7405). Federal Grant and Cooperative Agreement Act of 1977 (41 U.S.C. 501). DOT Order 4000.8.

GAO was asked to determine whether the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) complied with applicable rules and procedures concerning a DOT contract with the State of Connecticut for the operation of the Citizen/Government Transportation Planning Center in Windsor, Connecticut. A special DOT program account and an EPA salaries and expenses account, both administered at the agencies' headquarters, were designed to fund the contract. Allegations concerning the Center's organization and membership, duplication of efforts, its advocacy roles, competence, and fiscal controls were reviewed and found unsupported. The Center is staffed by volunteers and two paid employees who operate a statewide information center on air quality and transportation issues and provide public education/information materials to be used by State and local planning agencies. EPA and DOT each provided $25,000 for the operation of the Center, and the EPA contribution was in the form of an interagency agreement and fund transfer to DOT. The contract was funded, in part, with money provided to the DOT Intermodal Planning Assistance Program which provides States, metropolitan areas, and local governments with planning assistance for unique problems for which other planning assistance may not be readily available. GAO found that the Center was eligible and had continuously received funds under other transportation planning assistance programs in the past. GAO believes that Connecticut is in the best position to fund the Center with existing Federal assistance, and that DOT funding of the contract with the Center appears to violate the DOT Intermodal Planning Assistance guidelines. Like DOT, EPA apparently bypassed established Federal assistance programs which could have funded the Center. Although GAO believed that the Center should have been considered for funding under established Federal grant/assistance programs administered by Connecticut, it found no legal or procedural prohibitions against DOT use of a contract rather than a grant or cooperative agreement in this matter. **Findings/Conclusions:** Both DOT and EPA acted within the scope of their responsibilities in providing contract funds for operation of the Center. GAO found that both agencies have authority in this instance to use the interagency agreement and contract. However, GAO questioned funding the Center through DOT and EPA headquarters-administered funds, which may bypass established Federal planning assistance programs. Without a clearly documented deficiency, GAO believed that Connecticut could best establish funding priorities and assign tasks for its public participation and information programs. Using other funding sources might work at cross purposes with existing assistance guidelines that encourage States and local planning agencies to use a portion of their Federal assistance for public participation and information efforts. In the case of EPA, GAO believed that using salaries and expenses funds was inappropriate. These funds are to be used for the direct personnel costs and administrative requirements of EPA. **Recommendations:** The Secretary of Transportation and the Administrator, EPA, should require clear documentation of a deficiency or compelling need before authorizing separate funding for those public participation and information activities that are eligible for funding under established Federal assistance programs. Documentation supporting a specific deficiency or need in future similar situations should include an independent DOT/EPA analysis of what specific need exists (by group of individuals, location, etc.); why existing programs charged with providing adequate public participation and information are not meeting the need; what steps the applicant intends to take to meet the need; and how the applicant's performance in meeting the need will be measured. The Administrator of EPA should require that funds used for program operations be obtained from proper appropriation accounts and not from general agency overhead funds such as salaries and expenses.

Agency Comments/Action

DOT officials said they had received letters endorsing the Center's activities, and that they are responding to a recognized need for better public participation and information on transportation/air quality issues. EPA officials agreed on the need to guard against bypassing existing assistance programs in the future. They also agreed to reexamine this and other external activities funded by the salaries and expense account.

Appropriations

Transportation planning, research and development - Department of Transportation, Office of the Secretary
Salaries and expenses - Environmental Protection Agency

Appropriations Committee Issues

The Committees should question assistance related expenditures from DOT and EPA headquarters-administered funds when established locally administered assistance programs exist. The Committee should also inquire into EPA's use of its salaries and expense account to fund external activities.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF TRANSPORTATION
Federal Railroad Administration
INTERSTATE COMMERCE COMMISSION

Federal Assistance To Rehabilitate Railroads Should Be Reassessed
(CED-80-90, 6-27-80)

Budget Function: Transportation: Ground Transportation (0401)
Legislative Authority: Milwaukee Railroad Restructuring Act (P.L. 96-101). Rail Amendments of 1976. Rail Transportation Improvement Act (P.L. 94-555). Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). Regional Rail Reorganization Act of 1973.

GAO undertook an appraisal of how the Department of Transportation has administered Federal assistance to railroads under the Railroad Revitalization and Regulatory Reform Act of 1976. When Congress passed the Act authorizing $1.6 billion for two programs to help the Nation's railroads overcome deferred maintenance, it expected the funds to be used up quickly. But 4 years later, much of the program authority was unused, and there seems to be little remaining interest in assistance solely to overcome deferred maintenance.

Findings/Conclusions: As of November 30, 1979, the Department of Transportation's Federal Railroad Administration had furnished $518 million to eight railroads to rehabilitate more than 2,100 miles of track and restore 8,800 locomotives and freight cars. Applications were pending for only $387 million of the $1 billion in unused program authority. Four of the seven pending applications, totaling $348 million, were from railroads that had already received assistance, and the three from railroads that had not already received assistance totaled only $39 million. Much of this pending assistance was not to reduce deferred maintenance on essential track segments. Further, since November 30, 1979, the six additional applications requesting assistance were not for projects solely to overcome deferred maintenance. Thus, GAO concluded that Federal assistance solely to overcome deferred maintenance is not essential. The Federal assistance available could be used to provide restructuring assistance to achieve an efficient national rail system. Additionally, GAO believes that Congress should: (1) consider how pending regulatory reforms will affect the rail industry's need for Federal assistance and whether national priorities permit spending public funds to induce restructuring; (2) ensure that any restructuring assistance has specific purposes and goals; and (3) direct the Secretary of Transportation to specify which restructuring projects are essential to a healthy industry and should therefore be eligible for assistance.

Agency Comments/Action

The Department regarded as inaccurate the conclusion that Federal assistance solely to overcome existing deferred maintenance is no longer essential. GAO believes that its conclusion is appropriate and accurate. The Department said that the conclusion that it has not specified criteria for choosing restructuring projects raised, perhaps, the most difficult policy issue at stake. It said that a Government framework for industry initiative, including appropriate financial assistance with restructuring as a condition, was necessary. The Department agreed that pending regulatory reforms will affect industry's need for Federal assistance but said that both a preliminary estimate of those effects and a firm estimate of railroads' capital need or shortfall were lacking.

Appropriations

General and special funds, rail service assistance - Federal Railroad Administration

Appropriations Committee Issues

The Committees should consider whether the Federal Railroad Administration has adequately outlined the specific purposes to which the additional Federal assistance funds they are requesting will be put.

FEDERAL EMERGENCY MANAGEMENT AGENCY
VETERANS ADMINISTRATION

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System

(HRD-80-76, 6-26-80)

Budget Function: Health: Health Planning and Construction (0554)

In response to a request, GAO reviewed the Department of Defense (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict. The need for developing a contingency hospital system consisting of DOD, Veterans Administration (VA), and civilian medical resources is discussed. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties, even if DOD and VA resources were fully used for that purpose.

Findings/Conclusions: DOD recently revised several aspects of its original system. Major changes appear to be: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the Nation should prepare for a possible conflict by planning to appropriately use Federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide a more effective relationship between VA and DOD that could prove invaluable in war.

Recommendations: The Secretary of Defense and the Administrator of Veterans Affairs should jointly: (1) develop and establish the framework for a military-VA-civilian contingency hospital system; (2) analyze DOD and VA medical care resources to determine the Federal patient treatment capability on a time-phased basis; and (3) identify Federal and civilian capability that could be provided assuming that patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. In addition, the Secretary should: (1) compare the medical care requirements calculated under various wartime scenarios with available Federal medical resources to determine how much and what type of civilian medical care capability would be needed to augment Federal capability; (2) determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources; and (3) in concert with other agencies having contingency planning responsibilities, assume overall coordinating responsibility for plans jointly developed by DOD and VA using Federal medical resources and necessary civilian medical capability under the military-VA-civilian contingency hospital system. The Administrator should: (1) provide estimates to DOD concerning VA potential facility and staffing capabilities to treat returning battlefield casualties regardless of whether those casualties would be expected to return to duty, and these estimates should be developed through the joint DOD-VA planning effort to establish a system; and (2) ascertain the extent to which VA affiliated hospitals would be able to assist VA in treating battlefield casualties. Congress should enact legislation which provides that both DOD and VA fully participate in Federal medical planning for and care of returning wartime casualties. Such legislation should: (1) give VA the mission of providing direct medical support to DOD for treating battlefield casualties; (2) place battlefield casualties above veterans with non-service-connected, nonemergency conditions in priority for care; and (3) remove numerous obstacles to interagency sharing, as GAO previously recommended, so that VA and DOD may establish a strong peacetime medical resources sharing program to serve as an effective foundation for a military-VA-civilian contingency hospital system.

Agency Comments/Action

DOD is in general agreement with the report's recommendations and has initiated actions necessary to implement those recommendations made to the Secretary of Defense. VA believes the recommendations are not inconsistent with its interests and past efforts, including working with DOD officials on wartime contingency arrangements. However, VA believes the full implementation of the recommendation made to it is contingent upon appropriate legislation being enacted. The Federal Emergency Management Agency agrees with the report recommendations. It is concerned, however, that it and the Department of Health and Human Services were excluded from participation in the development of the civilian-military contingency hospital system.

Appropriations

Operation and maintenance - Army, Navy, Air Force
Operation and maintenance - Veterans Administration, Department of Medicine and Surgery
Operation and maintenance - Federal Emergency Management Agency

Appropriations Committee Issues

A plan to use nonmilitary resources for medical treatment of returning wartime casualties is needed. The Committees should monitor the progress and problems involved in fully implementing this plan and its impact on the requested funding levels by the affected Federal agencies.

VARIOUS DEPARTMENTS AND AGENCIES

GENERAL SERVICES ADMINISTRATION
OFFICE OF MANAGEMENT AND BUDGET

General Services Administration's Lease Versus Construction Present-Value Cost Analyses Submitted to the Congress Were Inaccurate

(LCD-80-61, 6-20-80)

Budget Function: General Government: General Property and Records Management (0804)
Legislative Authority: Public Buildings Act of 1959 (40 U.S.C. 602 et seq.). Property and Administrative Services Act (40 U.S.C. 490). OMB Circular A-104. S. 2080 (96th Cong.). B-163762 (1974). 40 U.S.C. 606.

In response to a congressional request, GAO reviewed the lease versus construction present-value cost comparison procedures prescribed by the Office of Management and Budget (OMB) and the accuracy of General Services Administration (GSA) present-value cost analyses in prospectuses submitted to Congress.

Findings/Conclusions: GAO found that the GSA lease versus construction present-value cost analyses in five lease prospectuses submitted to Congress in 1979 were inaccurate, and therefore, did not provide a reliable basis for evaluating acquisition alternatives. The analyses (1) were based on incorrect operating cost estimates, (2) omitted some relevant costs, (3) contained computational errors, (4) did not reflect rental payments escalated at renewal periods, (5) assumed an unrealistic year of occupancy, (6) did not consider the lack of comparability between federally constructed and leased privately constructed buildings, and (7) used an inappropriate discount rate. Present-value analysis can be a useful tool in evaluating the comparative costs of investment alternatives, provided that underlying assumptions and criteria are applied objectively and consistently. GAO disagrees with the OMB-prescribed 7 percent discount rate, price deflator for leasing costs, and assumption that construction costs are paid in a lump sum as of the present-value date and therefore not discounted. Decisions to lease have been based primarily on the lack of construction funds, regardless of present-value analysis results. Proposed legislation would require emphasis on, and disclosure of, GSA long-range planning for its public buildings program. GAO believes the legislation would provide Congress with a better overview of the GSA buildings program.

Recommendations: The Administrator of General Services should direct that present-value analyses (1) be based on correct operating cost estimates, (2) include all relevant costs, (3) are computed accurately, (4) reflect rental payments escalated at renewal periods, and (5) assume a realistic year of occupancy. The Director of OMB should revise OMB Circular No. A-104 to provide that the discount rate, to be used in comparative cost analyses for decisions to lease or construct general purpose real property, will be based on the average yield on outstanding marketable Treasury obligations with remaining maturities comparable to the analysis period.

Appropriations

Federal buldings fund, rental of space - General Services Administration

Appropriations Committee Issues

The Committees should insure that the agencies respond to the report within the 60 days allowed.

VARIOUS DEPARTMENTS AND AGENCIES

GENERAL SERVICES ADMINISTRATION
OFFICE OF PERSONNEL MANAGEMENT

Special Travel Benefits for Federal Employees in Nonforeign Areas

(FPCD-76-65, 3-2-77)

Budget Function: General Government: Central Personnel Management (0805)
Legislative Authority: P.L. 83-737.

Some Federal employees and their families located in States, territories, and possessions outside the continental United States receive periodic Government-paid trips back to their former residences. The law (Public Law 83-737) authorizing these special travel benefits was enacted over 20 years ago to provide a recruiting incentive for Federal employment in such areas. Since then the cost of providing these benefits has grown to several million dollars annually. Conditions in these areas (where most Federal employees are located) have changed considerably since enactment of the law. However, Federal administrators are not authorized under the law to terminate or adjust the benefits. GAO recommended that the Congress amend Public Law 83-737 to: (1) authorize Federal administrators, within guidelines prescribed by the General Services Administration (GSA) and the Civil Service Commission, to offer special travel benefits only when they determine it necessary to further the recruitment and retention of qualified personnel, and (2) limit the number of years that employees may continue to receive special travel benefits, except for special instances where there is a demonstrated need to provide the benefits on a continuing basis.

Agency Comment/Action

Both GSA and the Civil Service Commission (now the Office of Personnel Management) generally agreed that changes in the law to provide greater flexibility would be desirable.

Appropriations

Personnel salaries and expenses - Government wide

Appropriations Committee issues

Special travel benefits for certain Federal employees and their families located in nonforeign areas cost the Government several million dollars annually. Although conditions have changed considerably since enactment of the law which authorizes these benefits, the law provides no authority to adjust or terminate such benefits when warranted.

VARIOUS DEPARTMENTS AND AGENCIES

NATIONAL SCIENCE FOUNDATION
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

The Office of Science and Technology Policy: Adaptation to a President's Operating Style May Conflict With Congressionally Mandated Assignments

(PAD-80-79, 9-3-80)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251)
Legislative Authority: National Science and Technology Policy, Organization, and Priorities Act of 1976 (P.L. 94-282). Executive Order 12039.

GAO studied the Office of Science and Technology Policy (OSTP) to examine the extent to which OSTP has studied the 13 issues on Federal organization and management of science and technology policy, and to determine the extent to which OSTP is involved in strategic planning for science and technology. Top officials of OSTP believe that the broad legislative mandate for OSTP cannot be fully met under present conditions and operating styles within the Executive Office of the President. OSTP management and staff also believe that all their work must be tied to the existing policymaking process in the Executive Office of the President, because they have no independent control over any portion of the U.S. policymaking system. OSTP interprets its environment as requiring it to be continually active in initiating its own work and then fostering implementation of its recommendations, many of which demonstrate a strategic perspective. OSTP is most active in its extensive collaboration with the Office of Management and Budget in the research and development budget process.

Findings/Conclusions: GAO found that OSTP does not intend to prepare the mandated comprehensive survey report. This assignment to OSTP placed a large burden on OSTP and significantly increased its responsibilities without increasing its resources. The small and active OSTP has produced no comprehensive report but a list of its many activities, categorized according to the 13 issue areas. The OSTP staff attempts to give a strategic perspective to considerations of topical or mission issues, such as energy and space. OSTP believes that it is not feasible to do more comprehensive strategic planning and remain effective in the Executive Office of the President. It seldom studies the relationships of issues in the whole context of science and technology in society; instead, it usually focuses on a particular mission issue in isolation from its interactions with other national concerns. The small size of OSTP and its perceptions of the operating style of the President and the President's senior advisors inhibit its further involvement in comprehensive strategic planning. GAO believes that, within existing constraints, OSTP can establish a systematic and formal mechanism for identifying long-range emerging issues and for providing a detached perspective in screening outside proposals for the OSTP agenda. Both OSTP and the National Science Foundation are taking steps to improve communication in planning and preparing the Annual Report and the Five-Year Outlook.

Recommendations: The Director of OSTP should prepare the comprehensive report originally mandated by Title III of Public Law 94-282, or suggest legislation for Congress to relieve OSTP of this mandate. It should establish some formal mechanism for providing a detached view of issues for its agenda. The mechanism should help OSTP identify emerging issues, screen the many external suggestions for OSTP work, examine interrelationships among issues, and suggest priorities. It should take greater initiative in selecting issues for the Annual Report and the Five-Year Outlook.

Agency Comments/Action

OSTP believes that it has met this mandate by working on the issues individually, and has submitted a list of studies and actions categorized by the 13 issues which were to have been addressed in the comprehensive report.

Appropriations

Science and technology policy - Executive Office of the President, Office of Science and Technology

Appropriations Committee Issues

OSTP does not intend to prepare the comprehensive survey report mandated by Title III of P.L. 94-282. The report was initially assigned to a President's Committee on Science and Technology. Congress approved a Reorganization Plan abolishing the Committee, and Executive Order 12039 transferred the responsibility for the report to OSTP. GAO recommended that the Director of OSTP should either prepare the report mandated by Title III, or suggest legislation for Congress to relieve OSTP of this mandate.

VARIOUS DEPARTMENTS AND AGENCIES

OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Need To Better Control Federal White-Collar Job Classifications

(FPCD-75-173, 12-4-75)

Budget Function: Central Personnel Management (0805)
Legislative Authority: The Classification Act of 1949, as amended (5 U.S.C. 5101).

In 1974 the Government paid $18 billion in salaries to 1.3 million employees under the General Schedule, its chief category of white-collar workers. In order that these employees may receive equal pay for equal work, the Government classifies General Schedule positions according to duties, responsibilities, and qualifications. GAO reviewed the Civil Service Commission's administration of the Federal classification program and selected agencies' administration of their position classification responsibilities. Weak controls and pressures exerted on job classifications had resulted in overgraded Federal positions which increase costs and adversely affect employee morale and productivity. In a report to the Congress, GAO concluded that top Federal management must make a commitment to improve job classifications and to organize the workload of Federal departments and agencies more economically. This attitude must permeate all Government echelons. GAO recommended that the President issue a directive to the heads of Federal agencies, emphasizing the importance of position management and classification and the need to develop at all management levels a special, informed interest in economically structuring work and properly classifying positions.

Recommendations: Agency heads should: (1) establish adequate, effective position management and classification systems; (2) have managers periodically attend training programs on position management and classification; (3) evaluate managers on how well they carry out their classification responsibilities; and (4) provide adequate numbers of trained classifiers. In addition, CSC should keep pressure on agencies to establish their own personnel management evaluation systems, assess the adequacy of such systems, and require improvement where necessary. He should monitor the effectiveness of actions being taken to improve the CSC own evaluations of agencies' classifications. Effective evaluations should include identifying overgrading, determining the underlying causes of classification errors, taking firm stands on issues, making prompt followup on agency corrective actions and, when necessary, certifying positions or revoking classification authority. CSC should also implement the plan to update classification standards and follow it with a timely and well-controlled review cycle to ensure that standards are kept current.

Agency Comments/Action

CSC and OMB developed and issued a Presidential directive, May 27, 1976, to agency and department heads emphasizing effective position management and classification systems and adequate numbers of competent classifiers. Since then, Executive Branch reorganizations and increased classification audit activity by some departments and agencies brought attention to the need for improvement in classification accuracy. To permit managers to classify their positions correctly without hurting the incumbents, and thereby encourage improved classification accuracy, certain grade and pay retention provisions were incorporated into the Civil Service Reform Act of 1978 (CSRA). OPM will measure and assess the changes in classification accuracy as a result of CSRA.

Appropriations

Salaries and expenses - Government-wide

Appropriations Committee Issues

The Committees should direct the departments and agencies to establish effective position management and classification systems, train and evaluate managers in classification, provide adequate numbers of trained classifiers, and have adequate personnel management evaluation systems. The Committees should direct the Office of Personnel Management (OPM) to keep pressure on agencies to ensure effective personnel management evaluations, make sure that actions taken to improve OPM evaluations are effective, and update classification standards.

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INDEX SECTION

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Administrative Conference of the United States
276, 369-370
Administrative Office of the United States Courts
277
Architect of the Capitol
278-279
Agency for International Development
371-372
Community Services Administration
374-376
Corps of Engineers (Civil Functions)
280, 376-383
Department of Agriculture
27-59, 374-375, 377, 384-387, 389, 392
  Agricultural Cooperative Service
    30-31
  Agricultural Marketing Service
    32
  Agricultural Stabilization and Conservation Service
    33-36
  Animal and Plant Health Inspection Service
    37
  Economics, Statistics, and Cooperatives Service
    38-40, 388
  Farmers Home Administration
    41-44
  Federal Grain Inspection Service
    45-48
  Food and Nutrition Service
    49-54
  Food Safety and Quality Service
    55-56
  Forest Service
    57, 382, 390-391, 393
  Office of Water Research and Technology
    377
  Rural Electrification Administration
    58
  Science and Education Administration
    59
Department of Commerce
60-75, 378, 394, 397
  Appalachian Regional Commission
    61
  Bureau of the Census
    62
  Economic Development Administration
    63-65
  Maritime Administration
    66
  National Bureau of Standards
    67
  National Oceanic and Atmospheric Administration
    68-71
  Office of Federal Statistical Policy and Standards
    72
  Office of Productivity, Technology and Innovation
    73
  Patent and Trademark Office
    74-75
Department of Defense
398-402
Department of Education
76-83
  Rehabilitation Services Administration
    403
  Special Education and Rehabilitation Service
    83
Department of Energy
84, 127, 369-370, 376, 379, 405-412
  Energy Information Administration
    124-125
  Federal Energy Regulatory Commission
    125
  Federal Power Commission
    125
  Office of Conservation and Solar Applications
    126
  Office of Resource Applications
    126
  Western Area Power Commission
    127
Department of Health, Education, and Welfare
(See Departments of Health and Human Services and Education)
Department of Health and Human Services
128-180, 374-375, 384, 398-399, 404, 414-417, 420-423, 430
  Administration for Children, Youth and Families
    133
  Administration on Development Disabilities
    134
  Center for Disease Control
    135
  Food and Drug Administration
    136-139, 418-419
  Health Care Financing Administration
    140-159
  Indian Health Service
    160-162
  National Institutes of Health
    413

Office of Education
(See Department of Education)
Office of Health Maintenance Organizations
163
Office of Human Development
164-165
Public Health Service
167
Social Security Administration
168-180, 403-404

Department of Housing and Urban Development
181-191, 413, 425
Federal Housing Administration
190
Federal National Mortgage Association
191

Department of Justice
192-206, 384-385, 414-416, 426-429
Antitrust Division
198
Bureau of Prisons
199
Civil Division
200
Criminal Division
200
Drug Enforcement Administration
201
Executive Office for U.S. Attorneys
200, 202, 204
Federal Bureau of Investigation
202-204
Office of Justice Assistance Research and Statistics
205-206

Department of Labor
207-223, 386-389, 394-395, 405, 415, 430-434
Bureau of International Labor Affairs
207
Employment and Training Administration
207-214
Employment Standards Administration
215-222
Labor Management Services Administration
223
Office of Workers Compensation Programs
220-221
Wage and Hour Division
222

Department of State
224-227, 400, 426-427
Arms Control and Disarmament Agency
227

Department of the Interior
228-238, 376, 378-381, 383, 392, 396-397, 401, 406-408, 417, 435-437
Bureau of Indian Affairs
230
Bureau of Land Management
231-232, 390-391
Bureau of Reclamation
382
Geological Survey
377
Heritage Conservation and Recreation Service
233
National Park Service
234-235
Office of the Inspector General
236
Water and Power Resources Service
237-238

Department of the Treasury
239-250, 384-385, 401, 409-410, 416, 426-427
Bureau of Alcohol, Tobacco, and Firearms
242
Internal Revenue Service
243-245
Office of Revenue Sharing
246
United States Customs Service
247-250

Department of Transportation
251-275, 378, 401-402, 411, 425, 438-439
Civil Aeronautics Board
252, 373
Consolidated Railway Corporation
269
Federal Aviation Administration
252-256
Federal Highway Administration
257-262, 393
Federal Railroad Administration
263, 440
National Highway Traffic Safety Administration
259
National Railroad Passenger Corporation (Amtrak)
264-265
Research and Special Programs Administration
266
United States Coast Guard
267
United States Railway Association
268-269
Urban Mass Transportation Administration
261-262, 270-273, 275

District of Columbia
281-286
Department of Human Resources
282
Executive Office of the Mayor
283
Office of the City Administrator
284-286
Office on Aging
283
Economic Regulatory Administration
409-410
Environmental Protection Agency
287-299, 378, 383, 396-397, 409-410, 413, 425, 438-439
Equal Employment Opportunity Commission
431
Federal Coordinating Council for Science, Engineering, and Technology
382
Farm Credit Administration
300
Federal Communications Commission
301
Federal Emergency Management Agency
302-303, 441-442
Federal Energy Regulatory Commission
369-370, 409-410, 428
Federal Maritime Commission
304, 373
Federal Trade Commission
373
General Services Administration
305-315, 401-402, 435, 443-444
National Archives and Records Service
307-309
Public Buildings Service
310-315
Government Printing Office
316
International Development and Cooperation Agency
371-372
Interstate Commerce Commission
317-321, 373, 428, 440
Legal Services Corporation
322
Library of Congress
323
National Aeronautics and Space Administration
324-325
National Science Foundation
445
National Transportation Safety Board
326
Office of Management and Budget
327-333, 389, 398, 406, 418-422, 425, 429, 432-433, 443, 446
Office of Personnel Management
334-350, 369-370, 399-400, 429, 432-434, 444, 446
Incentive Award Branch
350
Office of Federal Procurement Policy
418-419
Office of Science and Technology Policy
407-408, 436-437, 445
Railroad Retirement Board
430
Securities and Exchange Commission
351-352
Small Business Administration
353-360
Tennessee Valley Authority
361, 412
Veterans Administration
362-368, 398-399, 418-419, 422-424, 441-442
Department of Medicine and Surgery
362-363

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